MT.

PART 7

SECRET

CONFIDENTIAL FILING

Prime Ministers visit to Washington,

July 1987.

USA

PT 1: January 1981

PT 7: June 1987

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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FCO TO CDP 23.7.V7

PART 8 begins:-

FCO TO CDP 24.7.V7

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

23 July 1987

Dear Charles

23/7.

Washington Follow-Up

As requested in your letter of 20 July, I enclose, in the form of draft telegrams to posts, draft messages from the Prime Minister to King Hussein, Mr Peres, President Mubarak and King Hassan giving an account of her talks in Washington on Arab/Israel and Iran/Iraq.

I also enclose a draft message to Mr Shamir. The Foreign Secretary recognises that he will not be swayed by British arguments. But he thinks it important, particularly in view of the line taken with the Prime Minister by Shultz, to try to develop a dialogue with Mr Shamir as well as with Mr Peres. That would leave us on firmer ground if the Prime Minister's correspondence with Mr Peres were to leak. It should also strengthen our hand in Washington as we continue to press the case for a more active American role.

Draft messages to King Fahd, Sultan Qaboos and the Emir of Kuwait will follow as soon as possible.

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

CONFIDENTIAL

8 MAY 87
PM

Subject cc master ops

PRIME MINISTER'S PERSONAL MESSAGE SERIAL No. T147A/87 (Messages)

(32)

CONFIDENTIAL

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Soviet D
Bob Dixon, RD
Mr Grant, News D.

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PRIME MINISTER'S VISIT TO WASHINGTON

1. PLEASE DELIVER AS SOON AS POSSIBLE THE FOLLOWING TEXT OF MESSAGES FROM THE PRIME MINISTER TO MITTERRAND AND KOHL:

BEGINS: I SPENT 17 JULY IN WASHINGTON TALKING TO PRESIDENT REAGAN. LEADING MEMBERS OF HIS ADMINISTRATION AND TO CONGRESS. I THOUGHT YOU MIGHT FIND IT USEFUL TO HAVE A BRIEF NOTE OF MY IMPRESSIONS. MOST OF OUR DISCUSSION WAS ABOUT ARMS CONTROL. THE GULF AND THE ARAB/ISRAEL PROBLEM. BUT I ALSO TOOK THE OPPORTUNITY. PARTICULARLY WITH A GROUP OF SENATORS. TO UNDERLINE OUR GREAT CONCERN AT PROTECTIONIST LEGISLATION IN THE CONGRESS.

2. THE PRESIDENT AND I AGREED THAT AN INF AGREEMENT WAS WITHIN REACH AND SHOULD BE ON THE BASIS OF GLOBAL ELIMINATION OF ALL US AND SOVIET LRINF AND SRINF MISSILES. NOT LEAST THIS WOULD MAKE THE PROBLEMS OF VERIFICATION MUCH EASIER TO RESOLVE. I SENT A PERSONAL MESSAGE TO MR. GORBACHEV AFTER MY RETURN URGING HIM TO ACCEPT GLOBAL ELIMINATION. PRESS REPORTS SUGGEST HE MAY NOW BE PREPARED TO DO SO (ALTHOUGH WE DO NOT YET KNOW WHAT CONDITIONS HE MAY IMPOSE).

3. THE PRESIDENT AND I ALSO AGREED ON THE NEED TO MAINTAIN THE CREDIBILITY OF FLEXIBLE RESPONSE AFTER AN INF AGREEMENT AND TO PRESS FORWARD WITH THE ALLIANCE'S OTHER ARMS CONTROL

/PRIORITIES.

CONFIDENTIAL

68227 - 1

PRIORITIES WHICH WERE CONFIRMED AT THE RECENT NORTH ATLANTIC COUNCIL.

4. WE DISCUSSED THE TRAN/IRAQ CONFLICT AND GAVE OUR STRONG SUPPORT TO THE MANDATORY UN SECURITY COUNCIL RESOLUTION. SUBSEQUENTLY PASSED ON 21 JULY. WE WERE BOTH SCEPTICAL WHETHER IRAN WOULD ACCEPT A CEASE-FIRE. I LAID GREAT EMPHASIS ON THE NEED TO DE-ESCALATE THE SITUATION IN THE GULF AND TO AVOID ANY PROVOCATIVE ACTION AGAINST TRAN. THE PRESIDENT ASSURED ME THAT THE UNITED STATES WOULD ONLY ACT IN SELF-DEFENCE. WE AGREED IN PARTICULAR ON THE IMPORTANCE OF HALTING ATTACKS ON SHIPPING AND THOUGHT THAT TRAN MIGHT IN PRACTICE REFRAIN FROM SUCH ATTACKS AS LONG AS TRAQ DID LIKEWISE. OTHER ARAB GOVERNMENTS SHOULD BE ENCOURAGED TO URGE IRAQ TO STOP ATTACKS ON SHIPPING AND THUS REMOVE THE MOST LIKELY CAUSE OF AN ESCALATION OF TENSION

5. ON THE ARAB/ISRAEL DISPUTE. I WAS ABLE TO FOLLOW UP THE VERY USEFUL DISCUSSIONS I HAD EARLIER IN THE WEEK WITH KING HUSSEIN OF JORDAN AND KING HASSAN OF MOROCCO. AND IN JUNE WITH MR. PERES AND URGE THE ADMINISTRATION TO GIVE PUBLIC SUPPORT TO AN INTERNATIONAL CONFERENCE. THE PRESIDENT AND I EXPLORED HOW SUCH A CONFERENCE MIGHT CONTRIBUTE TO BRINGING NEGOTIATIONS ABOUT. I THINK THAT MY VISIT MAY HAVE HELPED TO MOVE THE ARAB/ISRAEL QUESTION BACK TOWARDS THE TOP OF THE US ADMINISTRATION'S AGENDA. THE NEXT FEW MONTHS WILL OBVIOUSLY BE CRITICAL. IN PARTICULAR IN OBTAINING A CONSENSUS IN ISRAEL IN SUPPORT OF A CONFERENCE. WE SHALL BE KEEPING UP OUR CONTACTS WITH ALL THE PARTIES.

(FOR KOHL)

6. I LOOK FORWARD TO DISCUSSING THESE AND OTHER ISSUES WITH YOU WHEN WE MEET IN BERLIN IN SEPTEMBER.

(FOR MITTERRAND)

7. I LOOK FORWARD TO DISCUSSING THESE AND OTHER ISSUES WITH YOU AND MONSIEUR CHIRAC IN PARIS ON 29 JULY.

HOWE

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PS
PS/MRS CHALKER

PS/MR MELLOR
SIR J. FRETWELL
MR GILLMORE
MR BOYD
MR MUNRO
MR FALL

MR FEARN
SIR D. MIERS

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PRIME MINISTER
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PS/No 10 D ST.

SENT
23 JUL 1987

CONFIDENTIAL
UK COMMS ONLY
FM MOSCOW
TO DESKBY 231800Z FCO
TELNO 1067
OF 231710Z JULY 87
INFO IMMEDIATE WASHINGTON, UKDEL NATO, PARIS, BONN, MODUK

YOUR TELNO 798 (NOT TO ALL): PRIME MINISTER'S MESSAGE TO GORBACHEV

1. I DELIVERED THE PRIME MINISTER'S MESSAGE TO FIRST DEPUTY FOREIGN MINISTER VORONTSOV AT 1545Z TODAY, 23 JULY. I EXPLAINED THAT THE PRIME MINISTER HAD INSTRUCTED ME TO DELIVER HER MESSAGE IN ADVANCE OF MY CALL ON SHEVARDNADZE (WHICH HAS NOW BEEN CONFIRMED FOR 0800Z ON 24 JULY) SO THAT HE WOULD BE AWARE OF ITS CONTENTS BEFORE OUR DISCUSSION OF THE ISSUES WHICH THE MESSAGE COVERS.

2. I SAID THAT THE PRIME MINISTER HAD ASKED ME TO ADD AN ORAL POST-SCRIPT TO HER MESSAGE: SHE WAS ENCOURAGED BY THE REPORTS SHE HAD SEEN OF GORBACHEV'S INTERVIEW WITH AN INDONESIAN EDITOR AND BY HIS EXPLICIT ACCEPTANCE OF THE CONCEPT OF ''GLOBAL DOUBLE ZERO''. SHE WOULD STUDY WITH INTEREST THE FULL DETAILS OF THE SOVIET POSITION, WHICH WERE ALREADY BEING REPORTED TO HER ON THE BASIS OF THE DISCUSSIONS WHICH THE UK ARMS CONTROL TEAM HAD HAD WITH KARPOV AND HIS COLLEAGUES EARLIER IN THE DAY.

WITH KARPOV AND HIS COLLEAGUES EARLIER IN THE DAY.

3. VORONTSOV SAID THAT HE WOULD AT ONCE TRANSMIT THE PRIME MINISTER'S MESSAGE, WITH ITS POST-SCRIPT, TO SHEVARDNADZE AND TO THE GENERAL SECRETARY. THE SOVIET NEGOTIATORS HAD LAID DOWN THEIR FULL POSITION IN GENEVA A FEW HOURS BEFORE. SOME PROBLEMS STILL REMAINED, PARTICULARLY THAT OF WHETHER DOUBLE ZERO WOULD BE PRECISELY THAT. THE AMERICANS WERE TRYING TO EVADE THE ISSUE OF HOW 72 WARHEADS ON ONE SIDE AND NONE ON THE OTHER COULD BE DESCRIBED AS A ZERO SOLUTION. THIS WAS NOT ONLY ILLOGICAL BUT, FOR THE SOVIET PEOPLE, POLITICALLY SENSITIVE: THE SOVIET PUBLIC WOULD NOT UNDERSTAND IT IF THE SOVIET UNION ELIMINATED ALL ITS SRINF BUT ALLOWED 72 US NUCLEAR WARHEADS TO REMAIN ON P1A MISSILES BELONGING TO THE WEST GERMANS, EVEN IF THESE WERE NOT OF GREAT MILITARY SIGNIFICANCE. I SAID THAT WESTERN OPINION WOULD NOT UNDERSTAND SOVIET READINESS TO ALLOW THIS ISSUE TO BECOME A MAJOR OBSTACLE TO THE AGREEMENT TOWARDS WHICH ANOTHER SIGNIFICANT STEP HAD NOW BEEN MADE: WEAPONS WHICH WERE OF LITTLE MILITARY SIGNIFICANCE AND POLITICAL EMOTIONS SHOULD NOT ROB THE WORLD OF AN HISTORIC ARMS CONTROL AGREEMENT.

CARTLEDGE

YYYY

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CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

23 July 1987

PRIME MINISTER'S VISIT TO WASHINGTON: MESSAGES TO MITTERRAND AND KOHL

Thank you for your letter of 23 July enclosing draft messages from the Prime Minister to President Mitterrand and Chancellor Kohl. These have been amended. I enclose revised versions and should be grateful if you could despatch the messages as quickly as possible.

(C.D. POWELL)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

OUT TELEGRAM

Classification	Caveat	Precedence
CONFIDENTIAL		IMMEDIATE

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TO IMMEDIATE PARIS
TELNO
OF 230930Z JULY 1987
AND TO IMMEDIATE BONN

PRIME MINISTER'S VISIT TO WASHINGTON

1. Please deliver as soon as possible the following text of messages from the Prime Minister to Mitterrand and Kohl:

BEGINS: I spent 17 July in Washington talking to President Reagan, leading members of his Administration and to Congress. I thought you might find it useful to have a brief note of my impressions. Most of our discussion was about arms control, the Gulf and the Arab/Israel problem, but I also took the opportunity, particularly with a group of Senators, to underline our great concern at protectionist legislation in the Congress.

2. The President and I agreed that an INF agreement was within reach, and should be on the basis of global elimination of all US and Soviet LRINF and SRINF missiles. Not least this would make the problems of verification much easier to resolve. I sent a personal message to Mr. Gorbachev after my return, urging him to accept global elimination. Press reports suggest he may now be prepared to do so (although we do not yet know what conditions he may impose).

3. The President and I also agreed on the need to maintain the

Catchword: credibility

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SG1AJB	P. OFFICE	L. Parker	

Authorised for despatch by	Initials	Date/time

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XY48 (REV)

OUT TELEGRAM (CONT)

		Classification	Caveat	Precedence
	↓	CONFIDENTIAL		IMMEDIATE

credibility of flexible response after an INF agreement and to press forward with the Alliance's other arms control priorities which were confirmed at the recent North Atlantic Council.

4. We discussed the Iran/Iraq conflict and gave our strong support to the mandatory UN Security Council Resolution, subsequently passed on 21 July. We were both sceptical whether Iran would accept a cease-fire. I laid great emphasis on the need to de-escalate the situation in the Gulf and to avoid any provocative action against Iran. The President assured me that the United States would only act in self-defence. We agreed in particular on the importance of halting attacks on shipping and thought that Iran might in practice refrain from such attacks as long as Iraq did likewise. Other Arab governments should be encouraged to urge Iraq to stop attacks on shipping and thus remove the most likely cause of an escalation of tension.

5. On the Arab/Israel dispute, I was able to follow up the very useful discussions I had earlier in the week with King Hussein of Jordan and King Hassan of Morocco, and in June with Mr. Peres and urge the Administration to give public support to an international conference. The President and I explored how such a conference might contribute to bringing negotiations about. I think that my visit may have helped to move the Arab/Israel question back towards the top of the US Administration's agenda. The next few months will obviously be critical, in particular in obtaining a consensus in Israel in support of a conference. We shall be keeping up our contacts with all the parties.

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For distribution order see Page 1	Catchword: [For Kohl]

XY 48A (REV)

OUT TELEGRAM (CONT)

	Classification	Caveat	Precedence

[For Kohl]

6. I look forward to discussing these and other issues with you when we meet in Berlin in September.

[For Mitterrand]

7. I look forward to discussing these and other issues with you and Monsieur Chirac in Paris on 29 July.

HOWE

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For distribution order see Page 1	Catchword:

XY 48A (REV)

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

23 July 1987

Dear Charles,

Prime Minister's visit to Washington : Messages to Mitterrand and Kohl

I enclose, as requested, a draft message suitable for sending to President Mitterrand and Chancellor Kohl.

Yours ever,

Lyn Parker

(L Parker)
Private Secretary

C D Powell Esq
PS/No 10 Downing Street

CONFIDENTIAL


23. JAN 1937

OUT TELEGRAM

		Classification	Caveat	Precedence
		CONFIDENTIAL		IMMEDIATE

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TO IMMEDIATE PARIS
TELNO
OF 230930Z JULY 87
AND TO IMMEDIATE BONN

PRIME MINISTER'S VISIT TO WASHINGTON

1. Please deliver as soon as possible the following text of messages from the Prime Minister to Mitterrand and Kohl:

BEGINS I spent 17 July in Washington talking to President Reagan, leading members of his Administration and to Congress. I thought you might find it useful to have my impressions. Most of our discussion was about arms control, the Gulf and the Arab/Israel problem, but I also took the opportunity, particularly with a group of Senators, to underline our concerns at protectionist legislation in the Congress.

The President and I agreed that an INF agreement was within reach, ~~in spite of the recent slowdown.~~ I believe that the negotiations now need a decisive political impetus. I am sure that this would be provided by an agreement to take the global elimination of all US and Soviet LRINF and SRINF missiles as the basis for further work. Many of the problems which the negotiators on both sides have raised, particularly concerning verification, could then be resolved. I ~~have~~ sent a personal message to Mr Gorbachev urging him to take this step, and I see

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OUT TELEGRAM (CONT)

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that press reports suggest he now may be prepared to so do.

The President and I also agreed on the need to maintain the credibility of flexible response after an INF agreement and to press forward with the Alliance's other arms control priorities which were confirmed at the recent North Atlantic Council.

The President and I devoted particular attention to the Iran/Iraq conflict and to rising tension in the Gulf. We strongly support the mandatory Resolution passed on 21 July by the Security Council, after much hard work and good cooperation among its members. We were sceptical whether Iran would accept a cease-fire. But both parties must be encouraged to comply with the Resolution. I laid great emphasis on the need to de-escalate the situation in the Gulf and to avoid any provocative action against Iran. We agreed on the importance of halting attacks on shipping and that Iran might in practice refrain from such attacks as long as Iraq did likewise. Iraqi attacks on shipping had not prevented Iranian oil exports. We agreed that Iraq's Arab friends should be encouraged to use their influence with Iraq to grasp the opportunity presented by the UN Resolution to stop attacks on shipping and thus remove the immediate cause of tension in the Gulf region.

On the Arab/Israel dispute, I was able in Washington to follow up the very useful discussions I had earlier in the week with King Hussein of Jordan and King Hassan of Morocco, and in June with Mr Peres. There is a growing consensus emerging on how we can make progress towards negotiations aimed at achieving a settlement. President Reagan and I explored how an international conference might contribute to bringing them about. I was glad to note that the Arab/Israel question is now back towards the top of the US Administration's agenda. The next few months will obviously be critical. We shall be keeping up our contacts with the parties concerned, as I am sure you will.

For distribution order see Page	Catchword:

OUT TELEGRAM (CONT)

		Classification	Caveat	Precedence
		CONFIDENTIAL		IMMEDIATE

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[For Kohl]

I look forward to discussing these and other issues with you when we meet in Berlin in September.

[For Mitterrand]

I look forward to discussing these and other issues with you and Monsieur Chirac in Paris on 29 July.

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CONFIDENTIAL

MJ

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 July 1987

Dear Tony

MESSAGE TO MR. GORBACHEV

I enclose the Prime Minister's message to Mr. Gorbachev in the form which she has approved. I should be grateful if the text could be telegraphed to Moscow for delivery as soon as possible. As you see she preferred to shorten it rather than add some of the additional arms control references which you proposed including. I have, as you suggested, removed the paragraph on the Pershing 1As.

yours ever.

Charles

(Charles Powell)

A.C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office.

CONFIDENTIAL

RLi MJ

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T146/87

cc FCO.

10 DOWNING STREET
LONDON SW1A 2AA

SUBJECT cc MASTER

THE PRIME MINISTER GPS.

22 July 1987

Dear Mr. Gorbachev

I spent 17 July in Washington talking to President Reagan, to leading members of his Administration and to Congress. I thought you might find it useful to have my impressions, and my thoughts on the way ahead on arms control, the Gulf and the Arab/Israel problem.

I was frequently asked in Washington what I thought about the changes which you are undertaking in the Soviet Union. I said that I regarded them as historic and courageous and that I fully supported them.

Anyone who relied on the American media might be forgiven for thinking that the United States Administration are paralysed by the Congressional hearings on Iran. I can assure you that the reality is indeed different. Whatever the temporary distraction, it would be a dangerous miscalculation to suppose that the President or his Administration are in any way weakened in their resolve or their sense of purpose. Decisions are being taken on all the major issues - as will be apparent to you - and the President is in good form. He is clearly looking forward to a meeting

with you later in the year, always assuming that there has been sufficient progress in the arms control negotiations to warrant it.

These negotiations indubitably remain at the top of the Administration's agenda. The President wants an agreement on intermediate (LRINF) and shorter-range (SRINF) missiles. We agreed that all the elements for these are on the table. What is needed is serious work to resolve the outstanding problems. It was suggested to me by the media in Washington that the Soviet Union was dragging its feet. I refused to accept this, pointing out that there were serious and detailed issues at stake and that it was vital to get them right. As you know, NATO is prepared to eliminate <u>all</u> US and Soviet weapons in the LRINF and SRINF category on a global basis. You and your officials have more than once indicated that this should be attainable. And global elimination would of course make the task of verifying an agreement much easier. I believe that you are considering this and I think that it would speed up agreement if you and your government were able to accept it. NATO's position in favour of global elimination has wide public support in our countries and there is certainly no perception that the West are holding up agreement.

The President made clear to me that in seeking further arms reductions he will continue to be guided by the priorities on which he and I agreed at Camp David last November. Once an INF agreement is completed, his next goal is a 50 per cent reduction in strategic nuclear missiles. When we met in March, I put to you a number of ideas on how negotiations on strategic missiles and space could be taken forward. I hope that you will respond to the proposals the United States have made in Geneva which draw on these ideas.

The President and I discussed the situation in the Gulf. We were heartened by the ability of the five permanent members of the UN Security Council to work together to obtain the ceasefire resolution. Iran's initial reaction is not

altogether a surprise. We need to see how the situation develops before reaching conclusions. I would hope also there would be some de-escalation of tension in the Gulf, by a moratorium on attacks on shipping. This seems to me the most important single step which can be achieved in the present situation. Meanwhile, the United Kingdom will continue to provide protection for our own ships in the Gulf and the United States will, I understand, do likewise, to preserve freedom of navigation. This is not directed against anyone, and the need for it will diminish if we can bring about an end to attacks on merchant ships.

The President and I also agreed that we would like to see the same degree of co-operation between the five permanent members of the United Nations Security Council applied to making progress towards an international peace conference on the Arab/Israel problem. I know your people are in direct contact with the Americans and will know their views. The fact is that the only way a solution will be found is through direct negotiations between the parties. Our role is to facilitate the process by providing an international framework within which these direct negotiations can take place.

I was grateful for the briefing provided by your Ambassador on the economic reforms discussed and agreed upon by the Central Committee Plenum. I did in fact read your speech to that body in full and have a clear appreciation of the scope of the reforms which you are undertaking. I look forward to learning more about them if you are able to send Mr. Aganbegyan here in the autumn.

Finally, I often think about the visit which I made to the Soviet Union, one of the most vivid and satisfying which I have ever paid. Your own kindness and that of Mrs Gorbachev moved me deeply. The response of the Soviet people will be with me always. I hope you will be able to take up my invitation to visit the United Kingdom in the course of next year. We would very much like to have you.

If, in advance of that you wish to pass through London on your way elsewhere, you would always be welcome.

With warm regards,

Yours sincerely

Margaret Thatcher

Mr Mikhail Sergeyevich Gorbachev

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

22 July 1987

Dear Charles,

Message to Mr Gorbachev

I attach a revised version of the draft message which you sent to us yesterday, with which the Foreign Secretary is content.

Yours ever,

(A C Galsworthy)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

Finally, I
[illegible]
[illegible]
[illegible]
One of the most
vivid & satisfying [illegible]
I have ever made. The
response of the [illegible]
to [illegible] has been
very [illegible] and [illegible]
deeply [illegible] the response of the
public to [illegible]

DRAFT MESSAGE TO MR M S GORBACHEV FROM THE PRIME MINISTER

I spent 17 July in Washington talking to President Reagan, to leading members of his Administration and to Congress. I thought you might find it useful to have my impressions, and my thoughts on the way ahead on arms control, the Gulf and the Arab/Israel problem.

I was frequently asked in Washington what I thought about the changes which you are undertaking in the Soviet Union. I said that I regarded them as historic and courageous and that ~~you had my support for what you were trying to achieve. I mention this only to~~ underline that what I say is not governed by where I say it.

Anyone who relied on the American media might be forgiven for thinking that the United States Administration are paralysed by the Congressional hearings on Iran. ~~Your own sources are no doubt~~ better informed. I can assure you that the reality is indeed different. Whatever the temporary distraction, it would be a miscalculation to suppose that the President or his Administration are weakened in their resolve or their sense of purpose. Decisions are being taken on all the major issues - as will be apparent to you - and the President is in robust form. He is clearly looking forward to a meeting with you later in the year, always assuming that there has been sufficient progress in the arms control negotiations to warrant it.

These negotiations indubitably remain at the top of the Administration's agenda. The President wants an agreement on intermediate (LRINF) and shorter-range (SRINF) missiles. We agreed that all the elements for these are on the table. What is needed is serious work to resolve the outstanding problems. It was suggested to me by the media in Washington that the Soviet Union was dragging its feet. I refused to accept this, pointing out that there were serious and detailed issues at stake and that it was vital to get them right.

~~But I do want to make clear that it would be extremely serious if these issues were not resolved, given the closeness of the~~

positions already adopted or signalled. As you know, NATO is prepared to eliminate all US and Soviet systems in the LRINF and SRINF category on a global basis. You and your officials have more than once indicated that this should be attainable. And global elimination would of course make it much easier to resolve many of the problems which the negotiators on both sides have raised, especially those concerning verification. I hope that you will instruct your negotiators in Geneva to work for an agreement on this basis rather than seek to retain equal numbers of missiles on each side.

I believe the negotiations should now be given a decisive political impulse.

The President made clear to me that he continues to be guided by the priorities for achieving further arms reductions agreements on which he and I agreed at Camp David last November. Once an INF agreement is completed, his next goal is a 50 per cent reduction in strategic nuclear missiles. When we met in March, I put to you a number of ideas on how negotiations on strategic missiles and space could be taken forward in ways which would meet both your and US requirements. I hope you will be responding to proposals the US have made in Geneva which draw on these ideas. I am convinced that there is still scope for reaching agreement: it is essential that we do not lose this opportunity. In any event developments over START should not be used as an excuse to delay an INF agreement.

We would also need to work hard to achieve a stable balance of forces at lower levels in the conventional field. I am glad to see that the informal talks in Vienna are beginning to make progress. The present disparities are dangerous and I welcome your suggestion that the problem should be tackled by the side which enjoys superiority in particular areas making reductions.

It is also important that we continue to work together in the cause of non-proliferation. Preventing the spread of nuclear weapons is vital to international peace and security.

I am encouraged by recent signs of progress in the chemical weapons negotiations. We have reently tabled a paper in Geneva which I hope will contribute towards the comprehensive and verifiable agreement that is our priority. Our officials will continue to keep in close touch over these issues.

The President and I discussed the situation in the Gulf. We were heartened by the ability of the five permanent members of the UN Security Council to work together to obtain the ceasefire resolution. Iran's initial reaction is not altogether a surprise. We need to see how the situation on the ground develops before reaching conclusions. The role of the Secretary General will be crucial, as we encourage both parties to comply with the resolution. I would hope also for some de-escalation of tension in the Gulf, by a moratorium on attacks on shipping. This seems to me the most important single step which can be ~~taken~~ achieved in the present situation: ~~can you help, by reinforcing the point with Iraq?~~ Meanwhile the ~~United Kingdom, like~~ you and the United States, will continue to provide protection for its own ships in the Gulf, to preserve freedom of navigation. Such protection is not directed against anyone, and the need for it will diminish if we can bring about an end to attacks on merchant ships.

The President and I also agreed that we would like to see the same degree of cooperation between the five permanent members of the United Nations Security Council applied to making progress towards an international peace conference on the Arab/Israel problem. Your people are in direct contact with the Americans and will know their views. The fact is that the only way a solution will be found is through direct negotiations between the parties. But we can all help to facilitate this process, by providing a framework within which these direct negotiations can take place. That is why I spoke as I did, on my departure from Washington, about the role of an international conference. I urged the Administration to use their influence with Israel to overcome doubts. But it is also essential that the Palestinians and Syrians should be brought round to a constructive approach. Anything you can do to this end will be valuable.

I was grateful for the briefing provided by your Ambassador on the economic reforms discussed and agreed upon by the Central Committee Plenum. I did in fact read your speech to that body in full and have a clear appreciation of the scope of the reforms which you are undertaking. I look forward to learning more about them if you are able to send Mr Aganbegyan here in the autumn.

Finally, can I say that I hope you will be able to take up my invitation to visit the United Kingdom in the course of next year. We would very much like to have you. If, in advance of that you wish to pass through London on your way elsewhere, you would always be welcome. Perhaps you would like to discuss this with Sir Geoffrey Howe, who plans to be in Moscow in November for talks with Mr Shevardnadze.

USA : PM's Visit PT7



10 DOWNING STREET

Prime Minister

The FCO have still not produced a draft message to Gorbachev.

To kick-start them, I have dictated the attached, and sent it to them for comment.

It would be helpful to have your reactions, so that we can produce a further edition. It is quite long, but there is a lot to say.

CDP
21/7

SL3AWN

Draft

MESSAGE TO MR. M. S. GORBACHEV FROM THE PRIME MINISTER

I spent 17 July in Washington talking to President Reagan, to leading members of his Administration and to Congress. I thought you might find it useful to have my impressions, and my thoughts on the way ahead on arms control, the Gulf and the Arab/Israel problem.

I was frequently asked in Washington what I thought about the changes which you are undertaking in the Soviet Union. I said that I regarded them as historic and courageous and that ~~you~~ I had ~~my~~ support for ~~what you were trying to achieve~~. ~~I mentioned this only to underline that what I say is not governed by where I say it.~~

Anyone who relied on the American media might be forgiven for thinking that the United States Administration are paralysed by the Congressional hearings on Iran. ~~Your own sources are no doubt better informed.~~ I can assure you that the reality is indeed different. Whatever the temporary distraction, it would be a dangerous miscalculation to suppose that the President or his Administration are in any way weakened in their resolve or their sense of purpose. Decisions are being taken on all the major issues - as will be apparent to you - and the President is in ~~robust~~ good form. He is clearly looking forward to a meeting with you later in the year, always assuming that there has been sufficient progress in the arms control negotiations to warrant it.

These negotiations indubitably remain at the top of the Administration's agenda. The President wants an agreeemnt on intermediate (LRINF) and shorter-range (SRINF) missiles. We agreed that all the elements for these are on the table. What is needed is serious work to resolve the outstanding problems. It was suggested to me by the media in Washington that the Soviet Union was dragging its feet. I refused to accept this, pointing out that there were serious and detailed issues at stake and that it was vital to get them right. ~~But I do want to make clear that it would be intolerable if there was to be~~

~~any retreat from positions already adopted or signalled.~~ As you know, NATO is prepared to eliminate all US and Soviet weapons in the LRINF and SRINF category on a global basis. You and your officials have more than once indicated that this should be attainable. And global elimination would of course make the task of verifying an agreement much easier. ~~I hope that you will instruct your negotiators in Geneva to work for an agreement on this basis rather than seek to retain equal numbers of warheads on each side.~~ NATO's position in favour of global elimination has ~~already~~ wide public support in our countries and there is certainly no perception that the West are holding up agreement.

Particular attention has been devoted to the issue of the German Pershing IAs. As you know, these are governed by longstanding bilateral cooperation arrangements between the United States and the FRG. There is no thought in the West of changing the basis on which the warheads remain under strict United States control. Until very recently, it was never suggested by the Soviet side that these missiles should be included in the negotiations. They are in any case - and this is no secret - approaching the end of their useful life. They should not be an obstacle to an agreement.

The President made clear to me that ~~he continues to be guided~~ in seeking by the priorities ~~of~~ for achieving further arms reductions ~~agreements on~~ which he and I agreed at Camp David last November. Once an INF agreement is completed, his next goal is a 50 per cent reduction in strategic nuclear missiles. ~~My understanding is negotiations on this are not sufficiently advanced to make it practical to think~~ in terms of an agreement at the same time as an INF agreement, although it might be possible to reach some understanding about the main elements. ~~In any event, this should not be used as an excuse to delay an INF agreement.~~

The President and I discussed the situation in the Gulf. We were heartened by the ability of the five permanent members of the UN Security Council to work together to obtain the

Iran's initial reaction is not altogether ceasefire resolution. ~~It is not altogether a surprise that~~ Iran ~~has rejected this~~ a surprise. We need to see how the situation ~~on the ground~~ develops before reaching conclusions. ~~At the least,~~ I would hope that there would be some de-escalation of tension in the Gulf, by a moratorium on attacks on shipping. This seems to me the most important single step which can be achieved ~~taken~~ in the present situation. Meanwhile, the United Kingdom will continue to provide protection for our own ships in the Gulf and the United States will, I understand, do likewise, to preserve freedom of navigation. This is not directed against anyone, and the need for it will diminish if we can bring about an end to attacks on merchant ships.

The President and I also agreed that we would like to see the same degree of cooperation between the five permanent members of the United Nations Security Council applied to making progress towards an international peace conference on the Arab/Israel problem. I know your people are in direct contact with the Americans and will know their views. The fact is that the only way a solution will be found is through direct negotiations between the parties. ~~The Camp David agreement showed that~~ Our role ~~of the rest of us~~ is an indirect one to facilitate the process by providing a framework within which these direct negotiations can take place. ~~It would be standing reason on its head if we showed ourselves less ready than the parties themselves to make progress.~~

I was grateful for the briefing provided by your Ambassador on the economic reforms discussed and agreed upon by the Central Committee Plenum. I did in fact read your speech to that body in full and have a clear appreciation of the scope of the reforms which you are undertaking. I look forward to learning more about them if you are able to send Mr. Aganbegyan here in the autumn.

~~Finally can I say that~~ I hope you will be able to take up my invitation to visit the United Kingdom in the course of next year. We would very much like to have you. If, in advance of that you wish to pass through London on your way elsewhere,

you would always be welcome.

With warm regards,

Finally, I often think about the visit which I made to the Soviet Union, one of the most vivid & delightful which I have ever paid. Your own kindness & ~~cordi~~ Mr. Gorbachev moved me deeply. No response of mine will be forthcoming people with me always.

PERSONAL AND CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 July 1987

Dear Lyn,

MESSAGE TO GORBACHEV

To while away an hour, I have dictated my own version. You may like to have it, just in case there are any points in it which you can use.

yours sincerely

(Charles Powell)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

PERSONAL AND CONFIDENTIAL

SL3AWN

MESSAGE TO MR. M. S. GORBACHEV FROM THE PRIME MINISTER

I spent 17 July in Washington talking to President Reagan, to leading members of his Administration and to Congress. I thought you might find it useful to have my impressions, and my thoughts on the way ahead on arms control, the Gulf and the Arab/Israel problem.

I was frequently asked in Washington what I thought about the changes which you are undertaking in the Soviet Union. I said that I regarded them as historic and courageous and that you had my support for what you were trying to achieve. I mentioned this only to underline that what I say is not governed by where I say it.

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These negotiations indubitably remain at the top of the Administration's agenda. The President wants an agreeemnt on intermediate (LRINF) and shorter-range (SRINF) missiles. We agreed that all the elements for these are on the table. What is needed is serious work to resolve the outstanding problems. It was suggested to me by the media in Washington that the Soviet Union was dragging its feet. I refused to accept this, pointing out that there were serious and detailed issues at stake and that it was vital to get them right. But I do want to make clear that it would be intolerable if there was to be

any retreat from positions already adopted or signalled. As you know, NATO is prepared to eliminate all US and Soviet weapons in the LRINF and SRINF category on a global basis. You and your officials have more than once indicated that this should be attainable. And global elimination would of course make the task of verifying an agreement much easier. I hope that you will instruct your negotiators in Geneva to work for an agreement on this basis rather than seek to retain equal numbers of warheads on each side. NATO's position in favour of global elimination has already public support in our countries and there is certainly no perception that the West are holding up agreement.

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ceasefire resolution. It is not altogether a surprise that Iran has rejected this. We need to see how the situation on the ground develops before reaching conclusions. At the least, I would hope there would be some de-escalation of tension in the Gulf, by a moratorium on attacks on shipping. This seems to me the most important single step which can be taken in the present situation. Meanwhile, the United Kingdom will continue to provide protection for our own ships in the Gulf and the United States will, I understand, do likewise, to preserve freedom of navigation. This is not directed against anyone, and the need for it will diminish if we can bring about an end to attacks on merchant ships.

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I was grateful for the briefing provided by your Ambassador on the economic reforms discussed and agreed upon by the Central Committee Plenum. I did in fact read your speech to that body in full and have a clear appreciation of the scope of the reforms which you are undertaking. I look forward to learning more about them if you are able to send Mr. Aganbegyan here in the autumn.

Finally can I say that I hope you will be able to take up my invitation to visit the United Kingdom in the course of next year. We would very much like to have you. If, in advance of that you wish to pass through London on your way elsewhere,

you would always be welcome.

With warm regards,

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MY TELNO 1022 (NOT TO ALL): PRIME MINISTER'S VISIT TO WASHINGTON: SOVIET PRESS COVERAGE

SUMMARY

SOVIET MEDIA REPORTS OF STATEMENTS BY THE PRIME MINISTER AND PRESIDENT REAGAN AFTER THEIR TALKS. MRS THATCHER GIVEN MORE POSITIVE COVERAGE

DETAIL

2. SOVIET COVERAGE OF THE PRIME MINISTER'S VISIT TO WASHINGTON CONCENTRATED ON THE REMARKS MADE BY HER AND THE PRESIDENT AFTER THEIR TALKS. TASS AND IZVESTIA USED NEUTRAL HEADLINES BUT PRAVDA (19 JULY) USED THE PRIME MINISTER'S QUOTE UNPRECEDENTED POSSIBILITIES UNQUOTE.

3. PRESIDENT REAGAN WAS REPORTED BRIEFLY AND TERSELY. ON THE ARMS TALKS, THE CORRESPONDENT SAID ''HE PASSED IN SILENCE OVER SUCH AN OBSTACLE TO PROGRESS AT THE INF TALKS AS THE UNITED STATES' PERSISTENT ATTEMPTS TO KEEP 72 US NUCLEAR WARHEADS FOR PERSHING 1A'S IN SERVICE OF THE WEST GERMAN BUNDESWEHR''. ON IRAN/IRAQ, THE COMMENTARY WAS: ''IT FOLLOWS FROM HIS PRONOUNCEMENTS THAT THE UNITED STATES, AGAIN, FAILED TO GET A BRITISH PROMISE TO FOLLOW THE AMERICAN EXAMPLE AND INCREASE ITS MILITARY PRESENCE IN THE GULF.''

4. BY CONTRAST, THE PRIME MINISTER WAS ACCORDED MORE POSITIVE COVERAGE. TASS QUOTES HER AS SAYING THAT GREAT CHANGES WERE TAKING PLACE IN THE WORLD, INCLUDING CHANGES OF AN HISTORIC SCOPE IN THE SOVIET UNION. ''WESTERN COUNTRIES SHOULD USE THE UNPRECEDENTED OPPORTUNITIES THAT ARE NOW OPENING IF THEY WISH TO BE READY TO MEET THE CHALLENGE THEY WILL INEVITABLY FACE IN FUTURE AND TO LIVE IN A MORE STABLE AND SAFER WORLD,'' WHICH IS NOT QUOTE HOW THE PRIME MINISTER PUT IT (WASHINGTON TELNO 1530.) THERE IS IMPLICIT CRITICISM THAT ''THE PRIME MINISTER DWELT ON THE 'VITALLY IMPORTANT' NEED FOR THE WEST TO PRESERVE THE 'NUCLEAR DETERRENCE FACTOR' AND KEEP STRONG DEFENCES, AND ON THE SOVIET UNION'S MYTHICAL (SIC) SUPERIORITY IN CONVENTIONAL ARMS AND CHEMICAL WEAPONS.'' THE PRIME MINISTER'S ENDORSEMENT OF DIRECT NEGOTIATIONS BETWEEN THE PARTIES IN THE MIDDLE EAST WAS REPORTED BY TASS AND IZVESTIA. IT WAS FOLLOWED BY THE COMMENT THAT THE TWO LEADERS OBVIOUSLY CONTINUE TO ADHERE TO THE IDEA OF SEPARATE DEALS BETWEEN ISRAEL AND THE ARAB COUNTRIES.

5. THE PRIME MINISTER'S STATEMENT THAT THE PRESIDENT WAS ABLE TO GIVE LEADERSHIP TO THE WEST (WASHINGTON TELNO 1530) WAS OMITTED.

COMMENT

6. PLAYING DOWN PRESIDENT REAGAN WOULD APPEAR TO BE PART OF THE TACTICAL MANOEUVERING WHICH HAS BROUGHT THE GO SLOW IN GENEVA AND ALSO FITS A NATURAL SOVIET WISH TO DETRACT FROM THE PRIME MINISTER'S VISIT AS A SYMBOL OF EUROPEAN AND US UNITY ON THE MAIN ISSUES, INCLUDING ARMS CONTROL. COVERAGE OF REAGAN WAS LOW KEY RATHER THAN OUTRIGHT HOSTILE WHICH IMPLIES TACTICS RATHER THAN A MORE FUNDAMENTAL SHIFT.

CARTLEDGE

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PERSONAL

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 July 1987

I enclose a note of a conversation on the telephone between the Prime Minister and President Reagan this evening. I should be grateful if you would show it only to the Foreign Secretary and the Permanent Under Secretary.

(Charles Powell)

A.C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office.

PERSONAL

NOTE FOR THE RECORD

President Reagan telephoned the Prime Minister at 1910 this evening.

The President said that he would not keep the Prime Minister long. He was sitting in a Cabinet meeting and all those present knew that he was talking to the Prime Minister. He wanted to thank her from the bottom of his heart for her stalwart performance on the "Face the Nation" television show. It had been just magnificent. He was deeply grateful. The Prime Minister said that she found the interviewer rather difficult and had been worried that she might have gone too far in counter-attacking. The President said that the Prime Minister had done it so charmingly that the interviewer was left with nothing to say. The Prime Minister said that she had been delighted with the day that she had spent with the President. If her television interview had helped, then she was even more delighted.

As the Prime Minister started to say goodbye, the President asked her to wait on the line a moment and listen. There was then a prolonged round of applause. The President came back on the line to say that he hoped the Prime Minister had heard the whole Cabinet applauding her. The Prime Minister confirmed that she had and had been very touched.

CHARLES POWELL
20 July 1987
EL3CCK

SECRET

File

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 July 1987

PRIME MINISTER'S VISIT TO WASHINGTON

I have sent you separately records of the Prime Minister's various discussions in Washington. There is a certain amount of follow-up required.

The Prime Minister wishes to send a message to Mr. Gorbachev about her discussions, dealing in particular with arms control, Arab-Israel and the Gulf. She has indicated to the press that she proposes to do this.

She would also like to inform King Hussein, President Mubarak, Mr. Peres, King Fahd and King Hassan of her discussions on Arab-Israel and the Gulf. Again she has indicated publicly that she will be in touch with Middle East leaders.

There is also the question whether she should send messages to European Heads of Government. She will of course see President Mitterrand and M. Chirac shortly and can convey her views at first-hand. There may be a case for a message to Chancellor Kohl.

I should be grateful if the Department could prepare drafts. V BF

I am copying this letter to John Howe (Ministry of Defence) and to Trevor Woolley (Cabinet Office).

(CHARLES POWELL)

A. C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

LONDON SW1A 2AA

SUBJECT cc MASTER

From the Private Secretary

19 July 1987

PRIME MINISTER'S VISIT TO WASHINGTON:
MEETING WITH SECRETARY WEINBERGER

The Prime Minister saw Secretary Weinberger at the Ambassador's Residence in Washington on 17 July. I did not get the names of those accompanying him. Sir Antony Acland was present on our side.

INF

The Prime Minister spoke about the INF negotiations on lines similar to those which she had used with Secretary Shultz. Mr. Weinberger said that NATO must stand firm on exclusion of the German Pershing 1As. Even though they were not strictly third country systems, they were near enough doing so for their inclusion in the negotiations to constitute a damaging precedent. But he was fearful of the mood in Washington. Enthusiasm for an agreement was very strong, and there was a tendency to argue that all obstacles must be removed. The Prime Minister observed that, in her judgement, the Soviet Union needed an agreement more than the United States did. Mr. Weinberger agreed: he believed that the Soviets would in the end accept the double zero on a global basis. The Prime Minister said that NATO should concentrate on making it look bad in presentational terms for the Soviet Union if they failed to accept this.

The Prime Minister said that the United Kingdom and the United States should stand together against any attempt within NATO to move towards negotiations on shorter-range systems under 500km, until chemical weapons had been eliminated and parity established in conventional forces. Mr. Weinberger said that there was no feeling in Washington in favour of negotiations on shorter-range systems.

The Prime Minister spoke of the importance of preserving the credibility of flexible response even after an INF agreement and recalled her message to the President asking for SLCMs and additional F1-11 aircraft to be assigned to SACEUR. The SLCMs were particularly important. Mr. Weinberger said

that both requests could be met, but it would have to be on a flexible basis in the case of the SLCMs. They were also needed for tasks outside the NATO area and their use should not be unnecessarily restricted. The United States military were worried about committing SLCMs to NATO but he had insisted that SACEUR must have access to them.

British Nuclear Test

Mr. Weinberger congratulated the Prime Minister on the successful firing of a British test device on 16 July. There was no mention of whether there would be a test in 1988.

SDI

The Prime Minister enquired about progress with the SDI. Mr. Weinberger described the problems with obtaining adequate funding from Congress, and with Congress' attempts to constrain the Administration to accept the narrow interpretation of the ABM Treaty. If the broad interpretation were applied, experiments could be planned which would result in savings of $3bn. and make it possible to deploy a Phase 1 system by the mid (rather than the late) 1990s. It would also postpone until 19992 the date when the United States might need to step outside the ABM Treaty altogether. The narrow interpretation would limit the United States to research. Only by following the broad interpretation could they prepare to deploy. They were not running a scientific hobby shop. Meanwhile Soviet work on their SDI was going ahead fast. The Prime Minister recalled that, under the terms of Camp David I, any deployment would be a matter for negotiation. Mr. Weinberger said that the United States had proposed to the Soviet Union that both sides should be bound by the ABM Treaty until 1994, and negotiate about deployment thereafter.

The Prime Minister expressed concern about the lack of an adequate United States launch capability. This had implications too for intelligence-gathering satellites. Mr. Weinberger said that the space shuttle would be available again within twelve months. Meanwhile some military satellites were being launched and were demonstrating a longer life in orbit than expected. All essential requirements were being covered.

East/West Relations

The Prime Minister gave Mr. Weinberger her assessment of Gorbachev and his policies, drawing a distinction between internal reform and external ambitions. There seemed little change in the latter.

Nuclear Testing

Mr. Weinberger said that advances in verification techniques should make it possible for the United States to apply the Threshold Test Ban Treaty. But he could not envisage circumstances in which a Comprehensive Test Ban would be acceptable.

Middle East

The Prime Minister spoke about Arab/Israel on the same lines as with Secretary Shultz. Mr. Weinberger agreed that there should be a conference. He did not understand Shultz' hesitations.

Iran/Iraq

Mr. Weinberger expressed appreciation for co-operation between the US Navy and the Royal Navy in the Gulf. Reflagging of Kuwaiti tankers would start on 21 and 22 July. The Prime Minister said that it was important not to let the situation in the Gulf escalate. Mr. Weinberger said that the United States had no wish to do that.

I am copying this letter to John Howe (Ministry of Defence) and to Trevor Woolley (Cabinet Office).

(CHARLES POWELL)

A. C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office.

SECRET

SUBJECT ⌀ MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 July 1987

PRIME MINISTER'S VISIT TO WASHINGTON:
MEETING WITH SECRETARY SHULTZ

The Prime Minister had an hour's talk with Secretary Shultz at the Residence on the morning of 17 July. Mr. Shultz was accompanied by Mrs. Ridgway, Ambassador Price and Mr. Ford. HM Ambassador Washington was also present.

Irangate

Secretary Shultz commented that there had been an unprecedented divulgence of classified material from the Executive Branch to Congress as a result of the Irangate hearings. He thought that the time had come to draw a clear line between the respective responsibilities of Congress and the Executive Branch.

INF

The Prime Minister said that she thought Gorbachev wanted an INF agreement but had to go carefully so as to keep the support of the military. Evidently the Russians were going slow in Geneva in the hope that this would lead to pressure on western governments from their public opinion. We should stand firm, particularly on Pershing 1As. Gorbachev needed an agreement more than the United States did.

Secretary Shultz agreed on both points. There was a strong incentive for the Russians to reach an agreement with a known conservative like President Reagan. Even though there had been tentative agreement at Reykjavik that each side could retain one hundred LRINF missiles, the United States would now push hard for global zero. There had been a clear hint from Chervov that the Russians would accept the double zero on a global basis, while excluding the Pershing 1As, provided there was a firm commitment not to modernise them. This matched what Gorbachev had said to him about global zero at their last meeting. It would sooner or later become the formal Soviet negotiating position if we remained firm.

The Prime Minister said that we must preserve the credibility of flexible response after an INF agreement. It was not a question of simply reverting to the position in 1980. Soviet nuclear and conventional forces had been greatly strengthened since then. As she had said in her message to the President, we would like to see SLCMs and additional F1-11 aircraft assigned to SACEUR. We should also resist any attempt to negotiate on short-range systems in Europe. Secretary Shultz did not reply directly on the first point. On short-range systems he referred to the wording agreed in the communiqué issued by NATO Foreign Ministers in Reykjavik. The United States were not interested in discussing these systems for the foreseeable future. There was, however, a need for NATO to strengthen its conventional capability. NATO spent as much as the Soviet Union on conventional forces but got far fewer weapons for its money.

Arab/Israel

The Prime Minister said that there had been no major step forward towards peace between the Arabs and Israel since the Camp David agreement in 1979. President Reagan's 1982 initiative had yielded no practical results. We now had a fresh opportunity. Mr. Peres and King Hussein had done everything we asked of them, at considerable risk to themselves. The West had an obligation to support them. Lack of activity by the United States was an invitation to the Soviet Union to increase its standing in the Middle East. If the five permanent members of the United Nations Security Council could get together and agree on Iran/Iraq they ought to be able to do so on Arab/Israel. She would like to see the United States come forward publicly in support of an international conference. This would act as a framework for direct negotiations and would not have a mediating role. She had made this clear to King Hussein and thought that he accepted it. She was aware of Shamir's reservations. But this was a world problem and we should not allow Shamir to inhibit us from expressing our views.

Secretary Shultz said that he agreed with all that the Prime Minister had said. But there was no point in having an international conference unless there was some realistic prospect that negotiations under the aegis of the conference would succeed. This required a degree of consensus in Israel. The Camp David agreement had the support of both the main parties in Israel. But Sinai was a piece of cake compared with the West Bank. There was no consensus at all in Israel about the latter. The reservations held by Shamir about a conference were substantial. He recalled the Prime Minister quoting Shamir to the effect that Israel could only make one mistake. The Prime Minister said that such a mistake could be one of omission just as much as commission.

Secretary Shultz continued that the understanding reached between Peres and King Hussein was very important. The task now was to get Likud aboard. He discounted an early election, and anyway Peres might well lose it. The first step was to persuade the Arabs to pay more attention to Shamir. Everyone

liked Peres: but the fact was Shamir was Prime Minister. The Egyptian Prime Minister would shortly visit Israel. This was an important step. There might have been a prospect of a private meeting between King Hussein and Shamir, but this had been ruined by the leak of the Peres/Hussein understanding. Shamir also needed to be given greater confidence in what would happen at a conference. He feared that it would simply be a forum in which all the participants would turn on Israel. He needed guarantees about what would and would not happen. The Soviet role presented particular difficulty. Ostensibly the Russians agreed that the conference should be a framework for bilateral negotiations, and should itself deal only with multilateral issues. But they then ruined it by saying that the Palestinians were a multilateral issue. This sort of point had to be straightened out in advance so as to reduce the risks for Israel, and in a way that gave Shamir a leading role. We had to broaden support in Israel for a conference.

The Prime Minister asked whether it was Secretary Shultz' impression that Shamir really intended to negotiate. Or was he just putting up blockages? If so, the United States were in effect giving him a veto. He was holding the world to ransom. Secretary Shultz agreed that Likud were not ready to negotiate territory for peace, but only interim arrangements for Arab self-government on the West Bank. The Prime Minister said that this was hypocritical and made her cross. Israel's reputation as a democracy was at stake on the West Bank. Secretary Shultz said that the United States was prepared to work with Israel to make a conference possible. There was another angle which he had tried on Shamir. It was agreed that the Soviet Union would have to recognise Israel and release Soviet Jews as price for participation in a conference. Was it asking too much of Shamir to spend a few days in Geneva, in order to secure the release of 10,000 Soviet Jews?

Secretary Shultz summarised his views. He agreed with everything that the Prime Minister had said, but was convinced that it was not worthwhile going in a partisan direction and supporting Peres in a fight with Shamir. We must broaden the basis of support in Israel for a conference and get Shamir abroad. He was a tough man but not impossible. The Prime Minister said a public statement by the United States and United Kingdom supporting a conference would increase the pressure on Shamir. The fact was that, so long as Shamir believed he could block a conference, he would do so. If there was no step forward, only the Soviet Union would gain. She had prepared a form of words to use in her departure statement. This could be made more conditional. But there had to be some statement. We must not give Shamir a veto or the whole Arab world would move against us. Secretary Shultz said that he would consider the Prime Minister's text and propose some amendments.

Southern Africa

Secretary Shultz encouraged the Prime Minister to give Congressional leaders a clear account of her views on

Mozambique. It was essential to have a strategy of working with the Front Line States in Southern Africa.

The Prime Minister recalled that the Administration had to report to Congress in September on the operation of sanctions against South Africa. She hoped that they would resist pressure for any additional steps. Further sanctions just before the Commonwealth Heads of Government Meeting would be a great embarrassment for us.

I am copying this letter to John Howe (Ministry of Defence) and to Trevor Woolley (Cabinet Office).

(CHARLES POWELL)

A. C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office.

SECRET

SUBJECT cc MASTER

file 7

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

18 July 1987

Dear Tony,

PRIME MINISTER'S VISIT TO WASHINGTON
MEETING WITH PRESIDENT REAGAN

The Prime Minister met President Reagan for some two hours at the White House on 17 July. The first part of the meeting was in restricted session, with only Mr. Carlucci present on the American side. The discussion continued over lunch, at which Vice-President Bush, Secretary Shultz, Secretary Weinberger, Mr. Howard Baker, Mr. Carlucci, Ambassador Price, Mrs. Ridgway and Mr. Ledsky (NSC staff) were present, together with H.M. Ambassador. I am recording one or two especially sensitive points separately. This letter summarises the discussion of other issues.

Arab/Israel

In the restricted session, the Prime Minister took the President through the reasons why the United States should give public support to an international conference on the lines endorsed by King Hussein and Mr. Peres. President Reagan said that Secretary Shultz had reported to him on his discussion with the Prime Minister earlier in the day. He agreed that the time had come for a fresh effort. But it was important to bring Shamir aboard. The President then handed over revised wording for the Prime Minister's departure statement, which would make it possible to present it as a joint text. Further amendments were subsequently negotiated with Secretary Shultz.

Syria

The Prime Minister said that we recognised President Asad had taken a significant step to dissociate Syria from terrorism by expelling Abu Nidal from Damascus. The European Community had responded by lifting its ban on high level contacts. But further steps were needed from Syria. Abu Nidal still operated in Syrian-controlled areas of Lebanon, and the Syrian intelligence officers responsible for the Hindawi affair were still at their posts. We should not let Asad think that he was off the hook. He must do more.

President Reagan said that General Walters had recently visited Damascus. His impression had been that Asad was resolved to take further action on terrorism. Asad had admitted that Abu Nidal was still in the Bekaa Valley, but claimed it was very difficult to exercise absolute control over them. He also appeared to be dealing firmly with the Hizbollah. The President agreed that Asad must deliver more than he had so far. We should not go overboard simply because of the removal of Abu Nidal from Damascus. General Walters' advice had been that some further rehabilitation of Asad would encourage him along the path we wanted to see him take. As a result, the United States was thinking of sending its Ambassador back to Damascus, although not before September.

The Prime Minister said that it was necessary to be very wary of Asad. We should not accept vague promies to take action, but judge him by results. That said, she recognised that progress towards an Arab/Israel settlement would require Syria's participation.

Iran/Iraq

In restricted session, the Prime Minister said that she saw no prospect of an end to the Iran/Iraq war while Khomeini remained alive. Despite occasional reports that he was terminally ill, he continued to play a determining role. The President said that it had been reports of Khomeini's imminent demise which had encouraged him to embark on a policy of establishing contacts with Iranian moderates. The United States needed to have a link to Khomeini's successors. He wanted to stress that he had not been doing business with Khomeini, but with those in Iran who offered some chance of a more stable relationship in future.

The Gulf

The Prime Minister said that she was sceptical whether Iran would accept a cease-fire. That was certainly the view of our Arab friends. We should therefore in all likelihood have to go to the next stage of imposing an arms embargo, although she was equally doubtful whether that would be effective. She described the United Kingdom's role in protecting British ships in the Gulf. While we shared the United States' determination to preserve freedom of navigation in the Gulf, it was important not to escalate the conflict. President Reagan agreed: the United States would only act in self defence in response to an attack.

In subsequent discussion over lunch, the Prime Minister underlined the need to discourage Iraq from further attacks on shipping in the Gulf. Secretary Shultz suggested that, even though Iran might not explicitly accept a cease fire, it might in practice agree to refrain from attacks on shipping as long as Iraq did likewise. Iraqi attacks had been singularly unsuccessful in hindering Iranian oil exports. Refraining from them would not upset the balance of the war. Saudi Arabia and Kuwait should not be encouraged to use their influence on Iraq. The President added that the United States

show of strength had given heart to the Gulf States. The Iranians must also recognise that the United States was a formidable opponent.

Arms Control

The Prime Minister recalled her message to the President accepting a zero option for SRINF but stressing the need for compensating assignment of SLCMs and F1-11s to SACEUR to maintain the credibility of flexible response. The President said that he accepted the need for this. The United States would oblige, although there would have to be some flexibility over the commitment of SLCMs which were also needed for tasks outside the NATO area.

The President volunteered that, in future arms control negotiations, he would operate within the framework of the Camp David agreement. After an INF agreement, his next priority would be a fifty per cent cut in strategic nuclear weapons. There should be no question of negotiations on short range missiles until chemical weapons and the conventional imbalance had been dealt with.

Chemical Weapons

During lunch, the Prime Minister suggested that the West ought to do more to draw attention to the Soviet Union's retention of huge stocks of chemical weapons. She wondered how the United States saw the prospects for the negotiations on elimination of chemical weapons.

Secretary Weinberger said that the United States' proposals of three years ago had never evoked a proper response from the Soviet Union. He himself had serious doubts whether a ban was verifiable. While it might be possible to detect finished weapons, it was impossible to check the constituents, and very easy to assemble weapons at short notice. If there was a ban, the side that cheated and was able to make first use of chemical weapons would have an overwhelming advantage. His own strong preference was for the West to have a chemical deterrent.

Secretary Shultz was marginally less pessimistic. He thought that Soviet concern about proliferation might tilt them in favour of an agreement. But he shared Weinberger's view on the difficulty of verification.

The Prime Minister said that, if a verifiable agreement could not be concluded, she personally would agree that the West should have a chemical deterrent. She knew that the Chiefs of Staff were very worried about the penalties which wearing chemical warfare protective clothing imposed on our forces. Verification was the key. She had never liked the United States proposal on challenge inspection which would give the Soviet Union intensive access to our sensitive installations. On the other hand, she acknowledged that the United Kingdom proposals were not foolproof. It had long

concerned her that the West's only answer to chemical weapons was nuclear.

East/West Relations

The Prime Minister asked whether the President expected Gorbachev to come to the United States for a Summit in the autumn. Her own view was that he wanted and needed a Summit and would come. The President said that the Russians habitually tried to use the setting of a date for a Summit as a bargaining chip to extract concessions of substance. He was not prepared to play that game. He did not know whether Gorbachev could come: it was up to him. But he would welcome the chance to show Gorbachev the reality of the United States. The Prime Minister said that a Summit must address not just arms control issues but regional problems and human rights. We should not be alarmed if the Russians seemed to be dragging their feet in the negotiations in Geneva. It was the Russian way to probe forward and then fall back before finally coming to an agreement.

Trade

The Prime Minister thanked the President for his firm stand against protectionism and on his proposal in the GATT for removal of agricultural subsidies within ten years. At her meeting with Senate leaders, she would warn of the dangers of the proposed Trade Bill. If Congress were to adopt unilateral determinations of unfair trade practices, we would be headed straight for a trade war. It was impossible for her to battle against an oils and fats tax in Europe if the United States was simultaneously imposing customs users' and other fees on its trading partners.

The President welcomed the Prime Minister's intention to take a firm line with the Senate. We had seen protectionism before, with disastrous results, in the 1930s. Mr. Baker said that the Trade Bills had been so butchered up with extraneous amendments that Congress evidently expected the President to veto. He had told them they were right.

This letter should have a very limited distribution.

I am copying this letter to John Howe (Ministry of Defence) and Trevor Woolley (Cabinet Office).

Yours sincerely,

Charles Powell

(CHARLES POWELL)

A. C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

18 July 1987

PRIME MINISTER'S VISIT TO WASHINGTON:
MEETING WITH VICE-PRESIDENT BUSH

The Prime Minister had breakfast with Vice-President Bush at the start of her day in Washington on 17 July. Ambassador Price, Mr. Gregg and Sir Antony Acland were also present.

Irangate

Vice-President Bush said that the testimony of Admiral Poindexter and Colonel North in the Iran-Contra hearings had lifted a considerable burden from the President. He had always been certain that he had not been told of the diversion of funds to the Contras but the months of insinuation had been hard on him. At last it had been confirmed that he had been right all along. However, the effect of the whole issue on the President's standing should not be exaggerated. His rating in the polls was about the same as that of President Eisenhower at a similar point in his Presidency. The Vice-President continued that he had a low opinion of those Republicans in Congress who had distanced themselves from the President on this issue. The Prime Minister asked whether the fact that the President had signed a finding on arms for hostages would damage him. Vice-President Bush said that to this day the President did not believe that he had traded arms for hostages.

Arab/Israel

The Prime Minister made the case for the United States to come out publicly in support of an international peace conference, in familiar terms. She would be pressing the President to do so when she met him later in the day. The United States' failure to act was creating opportunities for the Soviet Union in the Middle East. It was wrong to urge King Hussein and Mr. Peres to take certain steps and then leave them in suspense. There had to be a clear lead from the United States. The Vice-President suggested that it would be premature for the United States to support a conference before there was a consensus in favour of it in Israel. The Prime

Minister said that we could not let Mr. Shamir prevent the rest of us from expressing our views. The Vice-President said that Secretary Shultz was very reluctant to support a conference. He hoped that the Prime Minister would argue the case as forcefully with the President and Shultz as she had with him. She might serve as a catalyst for the Administration's position.

Syria

The Prime Minister said that President Asad had not yet done enough to dissociate Syria from terrorism to warrant the lifting of restrictions. Abu Nidal still operated in Syrian-controlled Lebanon and those responsible for the Hindawi incident were still at their posts. Vice-President Bush said that Asad had assured General Walters that Abu Nidal had been dealt with firmly and would not be allowed to return to Syria. The intelligence community believed that Asad was making a sincere effort and was working for release of the hostages. Sir Antony Acland asked whether the US Ambassador would return soon to Damascus. The Vice-President said that the matter was still being discussed within the Administration. The Prime Minister commented that the United Kingdom had taken a firm stand on terrorism. She hoped that the United States would not undermine us. The President's recent message had said that the United States would want concrete proof that Syria had distanced itself from terrorism before taking steps to normalise relations. That was the right approach.

Mozambique

Vice-President Bush explained the problem which the Administration faced with some Republicans in Congress over Mozambique. The Prime Minister's letter to Congressman Dan Burton setting out her views had been outstanding and very helpful. He hoped that she would speak in similar terms to Senators later in the day. The Prime Minister said that Renamo were a creation of the former white Rhodesian Government. They were not in any way comparable with Savimbi in Angola. It would be absurd of Republicans to undermine the one Government in Southern Africa which took a thoroughly realistic view about South Africa and sanctions.

1988 Presidential Election

Vice-President Bush said that he felt good about his own campaign. His financial position was stronger than his rivals and his organisation was good. But, because he had stood by the President, his fortunes were closely linked to those of the Administration and to the performance of the economy. He thought he would win the nomination. The decision should be clear by the early spring. Fifty-seven per cent of delegates would be elected by 8 March. The Prime Minister commented that people understood loyalty and the economy looked good.

The Vice-President said that it was impossible to predict who would be the Democratic nominee. He would love to fight Governor Cuomo, but doubted he would get the nomination. Nor would Senator Nunn.

Miscellaneous

There was some brief discussion of deregulation and of education.

(CHARLES POWELL)

A. C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office.

Private Secretary

cc: Mr Wicks
Mr Powell
Mr Ingham

Minister, Commercial
Acting Head of Chancery
Mr Cornish
Mr Sheinwald

Mr Horne

PM's MEETING WITH SENATORS: 4.15 July 17

1. Senator Byrd's office have told me that the list of Senators who will definitely attend the meeting with the Prime Minister comprises all those Senators listed in the programme with the exception of Senators Nunn (D-Georgia) and Glenn (D-Ohio) who have still not confirmed attendance.

2. The following is a list of other Senators who will now definitely attend the meeting:

Senator Danforth (R-Missouri)
Member Budget Committee

Senator Hatfield (R-Oregon)
Ranking Member Appropriations Committee

Senator Chaffe (R-Rhode Island)
Member Banking Committee

Senator Benson (D-Texas)
Chairman Finance Committee

Senator Hollings (D-South Carolina)
Member Appropriations Committee

Senator Sasser (D-Tennessee)
Member Appropriations Committee

3. The number of Senators who have confirmed that they will attend the meeting is therefore 15. In addition to Senators Nunn and Glenn the following have indicated their wish to participate in the meeting but have still to confirm attendance:

Cont'd/...

Senator Pell (D-Rhode Island)
Chairman Foreign Relations Committee

Senator Inouye (D-Hawaii)
Member Appropriations Committee

Senator Lugar (R-Indiana)
Member Foreign Relations Committee

Senator Mitchell (D-Maine)
Member Finance Committee

pp E J HUGHES
First Secretary, Information

17 July 1987

Prime Minister
This is the President's
departure statement
CSP

(ROHRABACHER) JULY 17, 1987

PRIME MINISTER THATCHER OF ENGLAND
DEPARTURE STATEMENT

IT HAS BEEN MY PLEASURE TO WELCOME PRIME MINISTER THATCHER BACK TO WASHINGTON AFTER HER REMARKABLE RE-ELECTION TRIUMPH. SHE IS BEGINNING AN HISTORIC THIRD CONSECUTIVE TERM IN OFFICE, AND HER VISIT TODAY REFLECTS THE CLOSE COOPERATION AND FRIENDSHIP BETWEEN OUR PEOPLES AND GOVERNMENTS.

IT IS NO SECRET THAT I PERSONALLY ADMIRE THE PRIME MINISTER AND THAT WE SHARE A COMMON FAITH IN FREEDOM AND ENTERPRISE. SHE IS A STRONG AND PRINCIPLED LEADER IN THE INTERNATIONAL ARENA.

TODAY, WE HAD A COMPREHENSIVE AND THOROUGH DISCUSSION OF THE ISSUES CONFRONTING OUR COUNTRIES AND THE WESTERN ALLIANCE. WE LOOKED AT A NUMBER OF CHALLENGES IN A VARIETY OF AREAS FROM ARMS REDUCTION TO THE MIDDLE EAST TO TERRORISM. CONSISTENT WITH THE WORKING RELATIONSHIP WE'VE DEVELOPED THESE LAST 6 YEARS, WE ENJOY A HIGH DEGREE OF AGREEMENT ON THE MAJOR ISSUES OF THE DAY.

ONE ISSUE WE DISCUSSED IN DETAIL WAS THE STATUS OF NEGOTIATIONS WITH THE SOVIETS ON CONVENTIONAL AND NUCLEAR ARMS REDUCTIONS; THESE NEGOTIATIONS HAVE BEEN A CONSTANT TOPIC OF CONSULTATION WITHIN THE ALLIANCE. TODAY, THE PRIME MINISTER AND I REAFFIRMED THE PRIORITIES WE SET OUT LAST NOVEMBER AT CAMP DAVID, PRIORITIES THE NATO FOREIGN MINISTERS ENDORSED LAST MONTH IN REYKJAVIK.

THE PRIME MINISTER AND I ALSO DISCUSSED IN SOME DETAIL THE ACTIONS THAT OUR TWO COUNTRIES ARE TAKING WITH RESPECT TO THE WAR BETWEEN IRAN AND IRAQ, PARTICULARLY OUR STRATEGIC INTERESTS IN THE REGION, OUR ACTIVITIES TO PROTECT SHIPPING, AND OUR DIPLOMATIC ACTIVITIES IN THE UNITED NATIONS. PRIME MINISTER THATCHER NOTED IN THIS CONNECTION THAT THE ROYAL NAVY HAS BEEN PROVIDING PROTECTION FOR BRITISH SHIPS IN THE GULF FOR SOME TIME.

SIMILARLY, THE UNITED NATIONS DELEGATIONS OF OUR TWO COUNTRIES ARE PUSHING FOR STRONG SECURITY COUNCIL ACTION. IT IS TIME FOR AN IMMEDIATE END TO THE IRAN-IRAQ WAR AND WE BELIEVE THE UNITED NATIONS SECRETARY GENERAL SHOULD PERSONALLY UNDERTAKE A MISSION TO ACHIEVE THAT END.

IF EITHER OR BOTH OF THE WARRING PARTIES REFUSE THE UNITED NATIONS CALL FOR A CESSATION OF THE FIGHTING, AN ARMS EMBARGO SHOULD BE BROUGHT TO BEAR ON THOSE WHO REJECT THIS CHANCE TO END THIS BLOODY AND SENSELESS CONFLICT.

TODAY, PRIME MINISTER THATCHER AND I ALSO REVIEWED THE GENERAL PROSPECTS FOR PEACE IN THE MIDDLE EAST, INCLUDING THE PROPOSALS FOR AN INTERNATIONAL CONFERENCE, AND THE CONDITIONS NECESSARY FOR PEACE NEGOTIATIONS TO BE SUCCESSFUL.

OUR OWN TALKS TODAY WERE HIGHLY SUCCESSFUL. AS I SAID, IT WAS A PLEASURE TO HAVE THE PRIME MINISTER HERE. I WISH HER GODSPEED AS SHE NOW CONTINUES HER JOURNEY ON TO JAMAICA THIS EVENING, AND I LOOK FORWARD TO SEEING HER AGAIN SOON.

# # #

JOINT STATEMENT BY PRESIDENT REAGAN AND PRIME MINISTER - 17 JULY 87

FROM JAMES LEE FOR COI TECHNICAL RADIO SERVICES

TRANSCRIPT OF JOINT STATEMENT BY PRESIDENT REAGAN AND THE PRIME MINISTER, MRS. THATCHER, IN WASHINGTON, ON FRIDAY, JULY 17, 1987

PRESIDENT REAGAN:

It is my pleasure to welcome Prime Minister Thatcher back to Washington after her remarkable re-election triumph. She is beginning an historic third consecutive term in office and her visit today reflects the close cooperation and friendship between our peoples and governments.

It is no secret that I personally admire the Prime Minister and that we share a common faith in freedom and enterprise. She is a strong and principled leader in the international area.

Today, we had a comprehensive and thorough discussion of the issues confronting our countries and the Western Alliance. We looked at a number of challenges in a variety of areas, from arms reduction to the Middle East to terrorism.

Consistent with the working relationship we have developed these last six years, we enjoy a high degree of agreement on the major issues of the day.

One issue we discussed in detail was the status of negotiations with the Soviets on conventional and nuclear arms reductions. These negotiations have been a constant topic of consultation with the Alliance. Today, the Prime Minister and I reaffirmed the priorities we set out last November in Camp David,

priorities the NATO Foreign Ministers endorsed last month in Reykjavik.

The Prime Minister and I also discussed in some detail the actions that our two countries are taking with respect to the war between Iran and Iraq, particularly our strategic interests in the region, our activities to protect shipping and our diplomatic activities in the United Nations. Prime Minister Thatcher noted in this connection that the Royal Navy has been providing protection for British ships in the Gulf for some time. Similarly, the United Nations delegations of our two countries are pushing for strong Security Council action. It is time for an immediate end to the Iran-Iraq war and we believe the United Nations Secretary-General should personally undertake a mission to achieve that end. If either or both of the warring parties refuse the United Nations call for a cessation of the fighting, an arms embargo should be brought to bear on those who reject this chance to end this bloody and senseless conflict.

Today, Prime Minister Thatcher and I also reviewed the general prospects for peace in the Middle East, including the proposals for an international conference and the conditions necessary for peace negotiations to be successful.

Our own talks today were highly successful. As I said, it was a pleasure to have the Prime Minister. I wish her God speed as she now continues her journey on to Jamaica this evening and I look forward to seeing her again soon.

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PRIME MINISTER:

Mr. President, Ladies and Gentlemen:

Mr. President, I am most grateful for your kind words and your invitation to visit Washington. I had very much wanted to come to the United States right at the beginning of my third term to underline once again the absolutely central importance to us of the United Kingdom-United States relationship, and I am glad to report that it is as strong and as special today as it has ever been.

Great changes are taking place in the world, including historic changes in the Soviet Union. It is a time of unprecedented opportunity if we are wise and skilful enough to grasp it.

Now, more than ever, we need American leadership and your President is uniquely able to give it and will give it.

We must not let slip the tremendous gains of the last few years. America and Europe together can secure the more stable and peaceful world which has been our hope and our dream if we face up to the challenges ahead.

Mr. President, our talks today have covered those challenges - our wish to reduce the number of nuclear weapons, always keeping in mind the great preponderance that the Soviet Union enjoys in chemical weapons and conventional forces. We must ensure that the strong defence of the West is preserved at every step. We must watch the strategy, watch the tactics and watch the presentation.

The Middle East: where the President and I both see an opportunity to take a major step forward in the peace process and have committed ourselves to work for it. The countries of the region should not have to go on spending such enormous sums on defence rather than on their development and we must help them take the difficult steps necessary for peace.

And we must continue policies which lead to the economic growth and prosperity which we need, in order to meet our own people's ambition for a better life, and at the same time to provide the resources to help others to raise their standard of living.

The President and I are at one in wanting to see an agreement eliminating intermediate nuclear missiles on a global basis. The main elements are on the table. Effective verification is vital - trust is not enough. Performance has to be checked at every stage.

The Soviet Union has massive stockpiles of modern chemical weapons and we do not. This puts our armed forces at a wholly unacceptable disadvantage. The United States and the United Kingdom have put forward proposals to eliminate or otherwise deal with this imbalance.

The President and I also confirmed the priorities for future arms control negotations on which we arrived at Camp David last November. We reaffirmed the vital importance of nuclear deterrence in preserving peace.

Second, we discussed the prospects for peace in the Middle East. We agreed - and here, Mr. President, I use words which we both formally endorse - we agreed that direct negotations between

the parties are the only practical way to proceed.

We explored how an international conference might contribute to bringing about such negotiations. Clearly, it would not have the right to impose solutions or to veto agreements reached by the parties and we must continue to make progress in the peace process and commit ourselves to work for that.

Third, we devoted particular attention to the Iran-Iraq war and the Gulf, where we strongly support the proposed Security Council Resolution calling for a cease-fire and withdrawal. We hope that this will lead initially to the end of attacks on shipping in the Gulf and ultimately to a negotiated end to the conflict. In the meantime, as you said Mr. President, we are each protecting our own merchant ships and tankers.

Fourth, we agreed on the importance of resisting protectionist measures in whatever guise and on the need to reduce agricultural support and protection. No-one is blameless and we will not make progress by casting stones at others. It must be a cooperative effort.

Mr. President, may I thank you once again for your hospitality, for America's friendship and staunch leadership of the West and for these constructive talks to chart the way ahead.

Ladies and Gentlemen, thank you.

Mr. President, thank you.

(END OF TRANSCRIPT) NNNN

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SUBJECT cc MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

17 July 1987

Dear Alex,

The Prime Minister had a half hour meeting today in the Ambassador's Residence, Washington, with Dr Alan Greenspan, Chairman (Designate) of the Federal Reserve Bank, HM Ambassador and Minister (Economic) were present.

After recalling their first meeting in 1975 when they had discussed monetary targets, Dr Greenspan said that interpretation of the monetary statistics had not grown easier. The velocity of circulation of money was departing from its normal range. History suggested that just as the academic literature was formulating a new law to cope with phenomena such as this, the old law reasserted itself. The increase in the velocity might suggest lower monetary targets than were easier to explain politically. Current difficulties of identifying an indicator for economic policy made him look back with nostalgia to the days of the gold standard. The Prime Minister observed that the error when Britain had been on the gold standard was the level at which the pound was fixed. She shared Dr Greenspan's concern that there was no economic indicator which could be used to steer the economy. We used to be able to steer the economy by reference to the exchange rate. If we went into the EMS, we would be using the Deutschmark as the guide. Dr Greenspan observed that the Deutschmark had been well managed by the German authorities. He had been surprised that the EMS had worked so well. In his view, France would have been in a poor shape if it had not been a member of the EMS. The Prime Minister commented that she was not sure that she would want to subject the United Kingdom's exchange rate to the sort of bargaining so evident at an EMS revaluation.

Asked about banking deregulation, Dr Greenspan said that the advent of low cost information technology was eroding the commercial banks' monopoly of credit information so that their banking function was being supplemented by other bodies. Congress was trying to protect banks from losing such business by halting the process of deregulation. Congress was being urged on by the political clout of the nation's 14,000 banks, many of which were small. So the

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special interests of the smaller banks had called a halt to the process of banking deregulation.

Dr Greenspan then commented that the economic changes which Mr Gorbachev was trying to promote in the Soviet Union could potentially have a major effect on the world. The Prime Minister replied that Mr Gorbachev was trying to introduce the disciplines of a free market economy in a Communist system. But first he was trying to achieve the political change necessary to bring this about. His difficulties were immense: after seventy years of a centrally planned economy there were very few people in the Soviet Union able to respond to free market incentives. She was uncertain whether despite his confidence he would succeed. She saw no signs that he could think other than in a Communist framework. Dr Greenspan observed that human nature was basically capitalist.

I am sending a copy of this letter to Tony Galsworthy (Foreign and Commonwealth Office), HM Ambassador, Washington, and Trevor Woolley (Cabinet Office).

Yours sincerely

Nigel Wicks

N.L. Wicks

A.C.S. Allan, Esq.,
HM Treasury.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

17 July 1987

Dear Alan,

The Prime Minister had a forty minute discussion today in the Ambassador's Residence, Washington, with Mr Volcker, Chairman of the Federal Reserve Board. HM Ambassador and Minister (Economic) were present.

After the Prime Minister had told Mr Volcker that she was sad that he was going, he said that he had mixed feelings. Her letter had been much appreciated.

The Prime Minister then said that she never ceased to be amazed that the US economy consistently was able to prosper despite the shocks of the double deficits. There had to be a limit to the economy's tolerance. Mr Volcker agreed that the US economy was resilient. But the rest of the world economy was not doing well though he quickly added that he excepted the UK from this stricture. The Prime Minister was sceptical about persuading the German Government, especially Mr Stoltenberg, to do more. Nor were the Japanese doing enough. She doubted whether the Japanese economy would respond significantly enough to the higher value of the yen, partly because their imports were low. Mr Volcker agreed, and commented that Japan should be importing more from countries such as Korea and Brazil.

The Prime Minister asked whether the $20b. reduction in the FY 1987 budget deficit announced yesterday had been a freak. Mr Volcker indicated that in his view it was a freak, albeit a comforting one. The Federal Reserve Board's estimate of this year's deficit was higher than the Administration's estimate of $155b. and even higher next year, though it had to be recognised that $155b. was a big reduction on the previous year. The fundamental problem was that the Government was not generating enough revenue to meet its core expenditure. He believed that taxes should be increased. The events in the markets in May had caused a fright, especially as it became clear that a large proportion of the deficit was being financed by central banks and governments. But the position had improved since May, though there was obviously no assurance that matters would not worsen again. The trade deficit was certainly improving in real terms, though not in money terms.

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Mr Volcker said that he had a feeling that the US economy was on a knife's edge. If exports did not continue to rise and consumption fell, there would be a recession. The USA could not continue to run large budget and trade deficits - "God won't suspend time". In the end there would be a plummeting dollar, recession, inflation and high interest rates. The problem was convincing people of this when there had been half a dozen years of economic prosperity. That would need great political will.

In response to the Prime Minister's enquiry about the prospects for inflation, Mr Volcker said that inflation was increasing despite the prevalence of low unit costs. He could not agree that there was too much money in the system. But undoubtedly the wage and price situation was not consistent. If wages were to increase at the level of inflation, inflationary pressures would be intensified in a most unfortunate way.

The Prime Minister said that this time she had not asked the President to increase taxes in order to reduce the deficit. She knew that she would be banging her head against a brick wall and there were other matters on which she wanted to influence him. Mr Volcker commented that people were not sufficiently worried about the dangers of inflation. The Prime Minister replied that she was a believer in economic orthodoxy. In particular it was wrong to allow people who had saved to be defrauded by inflation. Mr Volcker replied that unfortunately in the USA politicians did not think like that.

The Prime Minister concluded the discussion by saying that she looked forward to seeing Mr Volcker during his visits to London.

I am sending a copy of this letter to Tony Galsworthy (Foreign and Commonwealth Office), HM Ambassador, Washington, and Trevor Woolley (Cabinet Office).

Yours ever
Nigel Wicks

N.L. Wicks

A.C.S. Allan, Esq.,
HM Treasury.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

17 July 1987

Dear Alex,

The Prime Minister had a thirty-five minute discussion today with Mr. Baker, Secretary of the US Treasury, in the Ambassador's Residence, Washington. Mr. Baker was accompanied by Mr. David Mulford, Assistant Secretary for International Affairs, Mr. Robert Kimmitt, General Counsel, and Ms. Laurie Berger, UK Desk Officer. H.M. Ambassador and Minister (Economic) were present.

The Prime Minister said that the discussions at the Venice Summit had not proceeded as far as we had wanted. The Germans were clearly not willing to let their economy grow. Mr. Baker said that the United States were not the best spokesmen with the Germans. It would be better for the United Kingdom to ask them to ease up and to give their economy additional room. The Prime Minister emphasised the Germans' horror of inflation and the service which their disciplined Central Bank had given their economy. Mr. Baker commented that it was not the Central Bank, but Mr. Stoltenberg, the Finance Minister, who was holding the economy back. The Prime Minister recalled that the Germans still remembered their experience at the 1978 Bonn Summit when they had followed their partners' advice and, alone, had stimulated their economy with the consequence that their inflation had risen. She doubted whether they would take such a risk again. She doubted, too, whether the Japanese would take sufficient action.

In response to the Prime Minister's enquiry about prospects for the US budget deficit, Mr. Baker said that it had fallen dramatically, with the latest forecast pointing to $155 billion, though he preferred to reckon on $160 billion. The difficulty was to hold the budget deficit to this level. This was the objective of the present difficult negotiations with Congress. Their tactic was to hold up the Debt Bill so as to pressurise the President to raise taxes or to reduce defence expenditure. The reduction in defence expenditure would probably be achieved, though the President would veto the legislation increasing taxes by $19 billion. His estimate was that the FY 1988 deficit would be reduced by $17-18 billion, though it was possible that larger reductions would be achieved. It needed to be remembered that unless the debt limit was raised, the US Government would default on its securities. He doubted whether Congress, which was controlled by the Democratic Party, would push matters that far.

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The Prime Minister commented that she believed that the international debt problem had been handled astonishingly well. Mr. Baker agreed. He was sure that it was right to proceed on the case by case basis. But for this to succeed, the debtor countries needed to grow and this growth would only come if they freed up their economies. The process required some guarantee for the developing countries of a reasonable level of capital flows. The Prime Minister said that she had never believed that banks should be asked to make bad loans. They would never allow themselves to be encumbered again with bad loans. Mr. Baker replied that bank lending to the developing countries would continue as the recent ingenious Argentinian package demonstrated.

The Prime Minister said that the problems of Africa were especially difficult. It was not sensible continually to re-schedule debt for the very poor countries. It should be written off. Mr. Baker said that he was sympathetic to this approach, but was less keen than the UK on the proposed increase in the IMF's Structural Adjustment Facility. The Administration preferred to concentrate on persuading Congress to pass a General Capital Increase for the World Bank.

Mr. Baker then referred to the Plaza, Louvre and Washington meetings which had, with some success, carried forward the co-ordination of the major countries' economic policies. He agreed that the important task was to try to co-ordinate underlying fundamentals. But that could not be accomplished by an annual meeting at the Summit. The Prime Minister, while not dissenting from the value of these meetings, said that news that they were taking place disturbed the markets. Mr. Baker noted that the vast majority of foreign exchange transactions had nothing to do with trade - only three per cent for the dollar. The Prime Minister commented that this was why intervention to maintain exchange rates was fruitless. It explained, too, why she was not keen on joining the EMS. That would give the speculator a one way option. She was not keen to return to fixed exchange rates. Mr. Baker agreed, but called for more efforts to control the underlying economic fundamentals.

The Prime Minister said that she was most disturbed about certain aspects of trade legislation now before Congress. She welcomed the Administration's commitment to fight protectionism.

I am sending copies of this letter to Tony Galsworthy (Foreign and Commonwealth Office), H.M. Ambassador, Washington, and to Trevor Woolley (Cabinet Office).

Yours ever,

Nigel Wicks.

N. L. WICKS

Alex Allan, Esq.,
~~Foreign and Commonwealth Office~~.
HMT

RT8.1

CONFIDENTIAL

cc PC

FROM: A W KUCYZS
DATE: 17 July 1987

SIR G LITTLER

cc Mr Norgrove - No.10

BRIEFING FOR PRIME MINISTER'S VISIT TO WASHINGTON

The Chancellor objected to one point in the briefing for the Prime Minister's restricted meeting with President Reagan. The brief says:

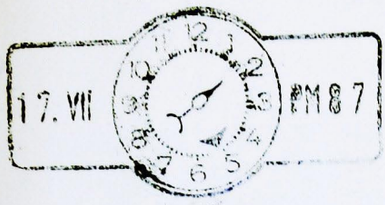
> "hope you will not shrink from tax increases <u>if Congress won't act</u>."

The Chancellor thinks this last phrase is wrong and will be counter productive. The line should be:

> "hope you will not shrink from tax increases as part of overall package."

2. I have phoned this through to No.10.

A W KUCZYS


17.VII
PM
8
7

CONFIDENTIAL

Cable file
cc BI
PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 July 1987

**PRIME MINISTER'S VISIT TO WASHINGTON:
DRAFT DEPARTURE STATEMENT**

I enclose the latest version of the Prime Minister's departure statement from the White House. It is not necessarily final but if you have any comments I should be grateful if you could let me have them in the course of the day.

C D POWELL

A. C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office

CONFIDENTIAL

MJ2BEO

DEPARTURE STATEMENT

Mr President, I am most grateful for your kind words and for your invitation to me to visit Washington. I very much wanted to come to the United States right at the beginning of my third term, to underline once again the absolutely central importance to us of the UK/US relationship. I am glad to report that it is as strong and as special today as it has ever been.

Great changes are taking place in the world. It is a time of unprecedented opportunity if we are wise and skilful enough to grasp it. Now more than ever we need American leadership. Your President is uniquely able to give it and will give it. We must not let slip the tremendous gains of the past few years. America and Europe together can secure the more stable and peaceful world which has been our hope and our dream if we face up to the challenges ahead.

Mr President, our talks today have covered those challenges

- Our wish to reduce the number of nuclear weapons - always keeping in mind the great preponderance that the Soviet Union enjoys in chemical weapons and conventional forces. We must ensure that the strong defence of the West is preserved at every step. We must watch the strategy, watch the tactics and watch the presentation .

- The Middle East, where the President and I both see an opportunity to take a major step forward in the peace process and committed ourselves to work for it. The countries of the region should not have to go on spending such enormous sums on defence rather than on their development. We must help them take the difficult steps necessary for peace.

- We must continue the economic growth and prosperity which we need in order to meet our own people's ambition for a better life, and at the same time provide the resources to help others raise their standard of living.

The President and I are at one in wanting to see an agreement eliminating intermediate nuclear missiles on a global basis. The main elements are on the table. In particular you have to be sure that the person you are negotiating with will do what he says and that you can check it at every stage. You cannot just rely on trust. We also have to remember that the Soviet Union has massive stockpiles of modern chemical weapons and we do not. We are not prepared to accept this. We must therefore find a way to eliminate those weapons; the UK has put forward proposals for this. The President and I also confirmed the priorities for future arms control negotiations on which we agreed at Camp David last November. We reaffirmed the vital importance of nuclear deterrence in preserving peace with security.

Second, we discussed the prospects for an international conference to bring peace in the Middle East. We agreed - and here, Mr President, I use words which we both formally endorsed - we agreed that an international conference is the most practical way forward to negotiations between the parties directly concerned. We agreed that the conference should act as a framework within which direct negotiations between the parties would take place, and that it would not have the right to impose solutions or to veto agreements reached by the parties.

Third, we devoted particular attention to the Iran/Iraq war and the Gulf, where we strongly endorse the proposed Security Council resolution calling for a ceasefire and withdrawal. We hope that it will lead to a negotiated end to the conflict and to an immediate end to attacks on shipping in the Gulf, although we are both fully determined to defend our merchant ships and tankers if need be. The United States and the United Kingdom have set an example in that respect.

Fourth, we agreed on the importance of resisting protectionist measures in whatever guise, and on the need to reduce agricultural support and protection. No-one is blameless, and we will not make progress by casting stones. It must be a co-operative effort.

Mr President, we touched upon a number of other subjects. I will mention only one and that is Mozambique. I explained to you that practical and humanitarian help which we are giving to the government of President Chissano, in the belief that they are making a real effort, in the face of many difficulties, to solve Mozambique's problems peacefully. We hope that the United States will support that effort.

Mr President, may I thank you once again for your hospitality and for your leadership, and wish you well.

(1)

10 DOWNING STREET

Prime Minister

Departure Statement

I have had another go. Is this moving in the right direction?

CDP

MJ2BEO

~~DRAFT~~ DEPARTURE STATEMENT

Mr President, I am most grateful for your kind words and for your invitation to me to visit Washington. I very much wanted to come to the United States right at the beginning of my third term, to underline once again the absolutely central importance to us of the UK/US relationship. I am glad to report that it is as strong and as special today as it has ever been.

~~May I say this to the American people.~~ Great changes are taking place in the world. It is a time of unprecedented opportunity if we are wise and skilful enough to grasp it. Now more than ever we need American leadership. Your President is uniquely able to give it and will give it. ~~Don't turn in on yourselves.~~ We must not let slip the tremendous gains of the past few years. America and Europe together can secure the more stable and peaceful world which has been our dream if we face up to the ~~urgent~~ challenges ahead.

Mr President, our talks today have covered those challenges ~~facing the West~~:

- Our wish to reduce the number of nuclear weapons - always keeping in mind the great preponderance that the Soviet Union enjoys in chemical weapons and conventional forces. We must ensure that the strong defence of the West is preserved at every step. We must watch the strategy, watch the tactics and watch the presentation .

- The Middle East, where the President and I both see an opportunity to take a major step forward in the peace process and committed ourselves to work for it. The countries of the region should not have to go on spending such enormous sums on defence rather than on their development. We must help them take the difficult steps necessary for peace.

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need be. The United States and the United Kingdom have set an example in that respect.

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Mr President, may I thank you once again for your hospitality and for your leadership, and wish you well.

MJ2BEO

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2566 (one piece/item number)	Date and sign
Extract details: Programme and arrangements for PM's visit, 16-17 July 1987 (undated, but assume 15/7/87)	
CLOSED UNDER FOI EXEMPTION 31; 38	14/5/18 C Wayland.
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
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Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

GRS 800

RESTRICTED

RESTRICTED
FM WASHINGTON
TO DESKBY 151800Z FCO
S/S
TELNO 1948
OF 151530Z JULY 87
AND TO DESKBY 152000Z KINGSTON

FOR CONFERENCE SECTION, PROTOCOL DEPARTMENT
PRIME MINISTER'S VISIT: ARRIVAL ARRANGEMENTS

1. 2205 VC10 ARRIVES ANDREWS AIR FORCE BASE.
AMBASSADOR ROOSEVELT AND SIR ANTONY ACLAND BOARD AIRCRAFT AND ESCORT PRIME MINISTER AND SENIOR MEMBERS OF THE PARTY TO WELCOMING COMMITTEE AS FOLLOWS:
THE HONORABLE GEORGE P SHULTZ, SECRETARY OF STATE
AMBASSADOR ROZANNE RIDGWAY, ASSISTANT SECRETARY OF STATE FOR EUROPEAN AND CANADIAN AFFAIRS
BRIGADIER GENERAL EDWARD GIDDINGS, COMMANDER, AIR FORCE DISTRICT OF WASHINGTON
AIR VICE MARSHAL RON DICK, HEAD OF BRITISH DEFENCE STAFF
MR J FORD COOPER, DIRECTOR, NORTHERN EUROPEAN AFFAIRS, DEPARTMENT OF STATE
(PHOTO OPPORTUNITY)

2. AFTER GREETING MEMBERS OF WELCOMING COMMITTEE, SECRETARY SHULTZ AND AMBASSADOR ROOSEVELT ESCORT PRIME MINISTER TO HER CAR.

2210 DEPART ANDREWS AIR FORCE BASE BY MOTORCADE FOR AMBASSADOR'S RESIDENCE

LEAD CAR	USSS
PM'S CAR	PRIME MINISTER
	SECRETARY SHULTZ
	SIR ANTONY ACLAND
	(PM'S BAGGAGE IN BOOT OF CAR)
FOLLOW CAR	USSS
US CAR 2	AMBASSADOR ROOSEVELT
	AMBASSADOR RIDGWAY
	MR POWELL
	MISS MURDOCK
US CAR 3	MR WICKS
	MR INGHAM
	MR CORNISH
	MR RYDER

RESTRICTED

/US CAR 4

US CAR 4	MR COOPER	
	MR PELLEW	
	MR HORNE	
	MR SHEINWALD	
US CAR 5	MISS MASSERINI	
	MISS WAGHORN	
	MISS OUTRED-RHODES	
	MISS JELLEY	
AFTER DEPARTURE OF MOTORCADE:		
MINIBUS	MISS ROSS	TO RESIDENCE
	RMP BECKER	
	(WITH BOXES)	
EMBASSY CAR 6	MR DAMM	TO HOTEL
	MR POLLARD	
HIRE BUS	PRESS	TO HOTEL WITH PRESS
	MR GAIR	LUGGAGE (GREEN
	DR HUGHES	LABELS)
	SO	
US BAGGAGE VAN	RMP CORNWALL	WITH LUGGAGE TO
	US SECURITY	RESIDENCE (BLUE
		LABELS) AND HOTEL
		(RED LABELS)
EMBASSY CAR 7	RMP HAWKSWORTH	TO (A) RESIDENCE
	SO	(B) HOTEL AND
		(C) EMBASSY

3. THE DUTY CLERK SHOULD GIVE ALL PASSPORTS WITH COMPLETED IMMIGRATION AND CUSTOMS DECLARATION FORMS TO THE CONFERENCE OFFICER, MISS WAGHORN, ON ARRIVAL.

4. PLEASE ADVANCE TO POWELL AND INGHAM (NO.10 DOWNING STREET) AND FOWLER (NAD, FCO).

5. FOR KINGSTON: PLEASE PASS TO MISS WAGHORN.

ACLAND

YYYY

ORWBAN 2952

(REPEATED AS REQUESTED)

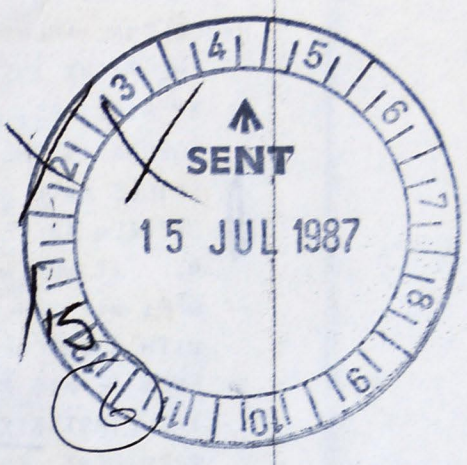
MINIMAL
PROTOCOL D.
NAD

COPIES TO:
MR POWELL } NO 10 DOWNING ST
MR INGHAM }

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WBLNAN 7744 ORWBAN 2949
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PS
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MR GILLMORE
Mr FEARN
HD/~~NAD~~
HD/NEWS
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FLASH

ADVANCE COPY

CONFIDENTIAL
FM WASHINGTON
TO FLASH FCO
TELNO 1496
OF 151330Z JULY 87

PRIME MINISTER'S VISIT TO WASHINGTON: 16-17 JULY 1987

SUMMARY

1. DECLINING PUBLIC CONFIDENCE IN THE PRESIDENT AND INCREASING CONFRONTATION BETWEEN THE ADMINISTRATION AND CONGRESS. BUT REAGAN SHOULD NOT BE WRITTEN OFF: A SUCCESSFUL SUMMIT WITH GORBACHEV COULD DO MUCH TO RESTORE HIS FORTUNES. AS REGARDS DOMESTIC AFFAIRS, THE PRIME MINISTER WILL FIND HIM PRE-OCCUPIED WITH HIS DIFFICULTIES WITH CONGRESS (THE IRAN/CONTRA HEARINGS, TRADE LEGISLATION, THE NOMINATION OF BORK, THE BUDGET). IN INTERNATIONAL AFFAIRS, ARMS CONTROL AND THE GULF WILL BE AT THE FOREFRONT OF HIS MIND: BUT IT MAY BE LESS EASY TO ENGAGE HIM ON WORLD ECONOMIC ISSUES.

DETAIL

2. THE STEADY DRIP OF THE IRAN/CONTRA HEARINGS HAS ERODED CONFIDENCE IN THE PRESIDENT AND WORN DOWN THE ADMINISTRATION TO THE BEDROCK OF THEIR CREDIBILITY. THEIR LAST LINE OF DEFENC IS THAT THE PRESIDENT DID NOT KNOW ABOUT THE DIVERSION TO THE CONTRAS OF PROFITS FROM THE ARMS SALES TO IRAN: BUT NEARLY TWO-THIRDS OF THE AMERICAN PUBLIC DO NOT BELIEVE THAT THE PRESID IS TELLING THE TRUTH ABOUT THIS. NORTH'S TESTIMONY HAS NOT IN ITSELF DONE SIGNIFICANT FURTHER DAMAGE TO THE PRESIDENT'S POSITION. BUT BY PUSHING RESPONSIBILITY UPWARDS AND CLAIMING THAT HIS ACTIONS WERE ALWAYS FULLY AUTHORISED (HE ASSUMED AS NECESSARY BY THE PRESIDENT) NORTH HAS GIVEN ADDED SIGNIFICANCE TO THE TESTIMONY OF POINDEXTER, WHICH IS LIKELY TO BE CONTINUING WHILE THE PRIME MINISTER IS HERE. POINDEXTER HAD REGULAR ACCESS AND REPORTED DIRECTLY TO THE PRESIDENT AT THE TIME OF THE DIVERSION. NORTH HIMSELF HAS ACHIEVED ENORMOUS POPULARITY THROUGHOUT THE COUNTRY.

3. THE PRIME MINISTER WILL FIND AN ATMOSPHERE OF CONFRONTATION IN WASHINGTON THE ADMINISTRATION AND CONGRESS MISTRUST EACH OTHER. ALTHOUGH THIS IS OFTEN A FEATURE OF POLITICAL LIFE IN WASHINGTON, STEMMING FROM THE CONSTITUTIONAL DIVISON OF POWERS, LONG-TIME OBSERVERS SAY THAT THIS MISTRUST IS MORE PROFOUND EVEN THAN DURING THE HEIGHT OF THE NIXON/WATERGATE SCANDAL. IT IS NOT JUST THAT THE DEMOCRATS ONCE AGAIN CONTROL BOTH HOUSES OF CONGRESS (AS THEY DID THROUGHOUT THE NIXON YEARS). NOR IS IT SIMPLY THE FACT THAT THE REAGAN ADMINISTRATION HAVE BEEN CAUGHT GOING BEHIND THE BACKS OF CONGRESS IN A SENSITIVE AREA WHERE CONGRESS BELIEVES THAT IT HAS THE RIGHT TO DETERMINE POLICY. IT IS RATHER THAT THE POSITIONS OF BOTH SIDES HAVE HARDENED ON THE BUDGET DEFICIT, TRADE POLICY, ARMS CONTROL AND

HARDENED ON THE BUDGET DEFICIT, TRADE POLICY, ARMS CONTROL AND CENTRAL AMERICA: THAT THE PRESIDENT, ONCE SEEN AS A LEADER WITH THE RIGHT INSTINCTS AND A SURE TOUCH, HAS BEEN GREATLY WEAKENED BY MISTAKES: AND THAT EACH SIDE IS NOW DETERMINED TO SET THE AGENDA IN THE RUN UP TO THE 1988 ELECTIONS. HOWARD BAKER'S SKILLS HAVE NOT SO FAR BROUGHT ABOUT ANY GREATER CONSENSUS BETWEEN THE EXECUTIVE AND THE LEGISLATURE.

4. IT WOULD HOWEVER CERTAINLY BE WRONG TO WRITE THE PRESIDENT OFF: WITH AN ARMS CONTROL AGREEMENT AND A SUCCESSFUL SUMMIT WITH GORBACHEV, HE COULD ONCE AGAIN RIDE THE CREST OF A WAVE, EVEN IF HIS POPULARITY WILL NEVER AGAIN REACH THE HEIGHTS OF THE FIRST SIX YEARS OF HIS ADMINISTRATION. MOREOVER THE PRESIDENT, FOR ALL HIS APPARENTLY EASY-GOING NATURE, IS NOT AVERSE TO A FIGHT: HIS NOMINATION OF CONSERVATIVE JUDGE BORK FOR THE SUPREME COURT IS AN EXAMPLE OF HIS CONVICTION THAT HE CAN STILL TAKE ON THE LIBERALS IN CONGRESS AND WIN.

5. ANOTHER AREA IN WHICH THE PRESIDENT IS FIGHTING HARD IS THE ECONOMY. DESPITE THE WIDELY-HELD BELIEF IN CONGRESS AND IN THE COUNTRY AT LARGE (INCLUDING AMONG MANY OF HIS OWN PARTY) THAT THE BUDGET DEFICIT CANNOT BE CORRECTED WITHOUT SOME NEW REVENUE MEASURES, THE PRESIDENT HAS CONSISTENTLY SET HIS FACE AGAINST ANY INCREASE IN TAXES. HOWARD BAKER CONFIRMED TO ME THIS MORNING THAT THE PRESIDENT REMAINS RESOLUTELY OPPOSED. PARTLY IN AN ATTEMPT TO DISTRACT ATTENTION FROM THE IRAN/CONTRA AFFAIR, HE HAS NOW GONE ON THE OFFENSIVE AGAINST CONGRESS. IN A SPEECH EARLIER THIS MONTH, HE TRIED TO RE-ESTABLISH CONTROL OVER THE ECONOMIC AGENDA WITH WHAT HE CALLED HIS ECONOMIC BILL OF RIGHTS. THIS CONTAINS A NUMBER OF INITIATIVES WHICH THE PRIME MINISTER MIGHT WELCOME, SUCH AS THE ESTABLISHMENT OF A BIPARTISAN COMMISSION TO FURTHER PRIVATISATION AND MEASURES TO PROMOTE DEREGULATION IN THE ENERGY AND FINANCIAL AREAS. IT ALSO CALLS FOR VARIOUS BUDGETING REFORMS WHICH HAVE VIRTUALLY NO CHANCE OF BEING PASSED BY CONGRESS: A LINE ITEM VETO, A CONSTITUTIONAL AMENDMENT REQUIRING A BALANCED BUDGET, AND A SUPER-MAJORITY IN CONGRESS BEFORE TAXES CAN BE RAISED.

6. THE PRESIDENT CAN TAKE SOME COMFORT FROM RECENT ENCOURAGING SIGNS ON THE ECONOMIC FRONT. THE CURRENT EXPANSION IS NOW IN ITS 56TH MONTH, THE SECOND LONGEST IN HISTORY, THE UNEMPLOYMENT RATE IN JUNE FELL TO 6.1 PER CENT, THE LOWEST LEVEL IN SEVEN AND A HALF YEARS: THE TRADE PICTURE IS IMPROVING, AT LEAST IN VOLUME TERMS: AND THIS YEAR'S BUDGET DEFICIT LOOKS LIKE BEING DLRS 40 BILLION BELOW LAST YEAR'S. THE SUCCESSION TO VOLCKER HAS TAKEN PLACE WITHOUT UPSETTING THE FINANCIAL MARKETS, AND FEARS THAT INFLATION WAS ACCELERATING AGAIN ARE MUCH LESS PREVALENT. THE DOLLAR HAS BEEN FAIRLY STABLE FOR SOME MONTHS NOW AND INTEREST RATES HAVE COME DOWN A LITTLE. THE STABILISATION OF OIL PRICES AT DLRS 18 OR ABOVE HAS HELPED A NUMBER OF DEPRESSED STATES. BUT IN SPITE OF ALL THIS, THERE ARE SERIOUS RISKS BECAUSE OF THE SLOW PROGRESS IN REDUCING THE TWIN DEFICITS.

7. AS REGARDS INTERNATIONAL AFFAIRS, ARMS CONTROL IS LIKELY TO BE AT THE FOREFRONT OF THE PRESIDENT'S MIND DURING THE PRIME MINISTER'S VISIT (SEE MIFT). THE GULF, GIVEN THAT THE ESCORTING OF REFLAGGED KUWAITI TANKERS IS ABOUT TO START, WILL ALSO BE A PREOCCUPATION. HE WILL, AS USUAL, BE LESS FOCUSSED ON THE NEED FOR MOMENTUM IN THE MIDDLE EAST PEACE PROCESS. BUT HE SEEMS GENUINELY KEEN TO RE-ESTABLISH A DIALOGUE WITH SYRIA, PARTLY OR PERHAPS LARGELY BECAUSE OF HIS CONCERN OVER THE HOSTAGES.

8. ON PROTECTIONISM THE DIFFICULTY LIES WITH CONGRESS, WITH WHOM THE ADMINISTRATION IS NOW LOCKED IN BATTLE ON THE TRADE LEGISLATION. THERE IS NO PROBLEM HERE WITH THE ADMINISTRATION, ALTHOUGH I HOPE THE PRIME MINISTER WILL STRESS TO THE PRESIDENT THAT NONE OF US CAN AFFORD A TRANSATLANTIC CONFRONTATION ON AIRBUS.

9. THE ISSUE ON WHICH THE PRIME MINISTER WILL FIND IT HARDEST

9. THE ISSUE ON WHICH THE PRIME MINISTER WILL FIND IT HARDEST TO ENGAGE THE PRESIDENT'S ATTENTION IN A CONSTRUCTIVE WAY WILL BE THE INTERNATIONAL REPERCUSSIONS OF HIS HANDLING OF THE US ECONOMY, PARTICULARLY AS REGARDS THE NEED TO RAISE NEW REVENUE (INCREASING REVENUE IS A BETTER PHRASE TO USE WITH HIM THAN RAISING TAXES). THE DIFFICULTY HERE IS THAT THE PRESIDENT HAS INVESTED SO MUCH POLITICAL CAPITAL IN HIS OPPOSITION TO NEW TAXES. THE PRIME MINISTER'S MESSAGE NEEDS TO BE A SIMPLE ONE. ALONG WITH GERMANY AND JAPAN, THE US HAS A MAJOR RESPONSIBILITY FOR TAKING EFFECTIVE ACTION TO PUT RIGHT CURRENT IMBALANCES. IF IT FAILS WE SHALL ALL BE HEADING FOR A WORLDWIDE RECESSION. DESPITE THE WELCOME PROGRESS THAT HAS BEEN MADE, THE DEFICIT WILL NOT BE REDUCED TO MEET THE 2.3 PER CENT OF GNP TARGET AT END 1988 TO WHICH THE US COMMITTED ITSELF AT THE LOUVRE MEETINGS. THE PRIME MINISTER COULD HERE REFER TO HER 1979-80 EXPERIENCE. REVENUE INCREASES OF SOME KIND HAVE A ROLE TO PLAY.

10. AS REGARDS THE POSITION OF THE VICE-PRESIDENT AND OTHER SENIOR MEMBERS OF THE ADMINISTRATION WHOM THE PRIME MINISTER WILL SEE, BUSH IS BIDING HIS TIME BEFORE ENTERING THE 1988 RACE IN EARNEST. ON PRESENT EVIDENCE - CAMPAIGN ORGANISATION' FINANCE, AND STANDING IN THE POLLS - HE MUST STILL BE SEEN AS THE FRONT-RUNNER AND AHEAD OF DOLE: BUT INSTINCTIVELY THERE IS A DOUBT ABOUT WHETHER HE CAN IN FACT GET THE NOMINATION, LET ALONE BE ELECTED. THE POSITIONS OF SHULTZ, WEINBERGER AND BAKER HAVE NOT CHANGED SIGNIFICANTLY SINCE THE PRIME MINISTER'S LAST VISIT, THOUGH BAKER HAS BEEN MUCH LESS TOUCHED BY THE IRAN/CONTRA AFFAIR THAN THE OTHER TWO. SHULTZ IS STILL CRITICISED IN THE MEDIA FOR KNOWING WHAT WAS GOING ON, BUT FAILING TO PUT HIS VIEWS STRONGLY, IF NECESSARY TO THE POINT OF RESIGNATION.

11. WITH THE SENATE, THE MAIN TOPIC FOR THE PRIME MINISTER SHOULD BE TRADE ISSUES. OTHER TOPICS TO THE FORE WILL BE ARMS CONTROL (ROLE OF NUCLEAR DETERRENCE),
ALLIANCE DEFENCE (STRENGTHENING THE EUROPEAN CONTRIBUTION),
THE GULF (UK INVOLVEMENT) AND MOZAMBIQUE ON TRADE,
ON TRADE, THE BEST APPROACH WITH THE SENATORS MIGHT BE TO UNDERLINE OUR SHARED INTEREST IN TRADE LIBERALISATION, INCLUDING AGRICULTURAL REFORM, AND TO WELCOME THE FACT THAT THE TRADE BILL WILL GIVE THE ADMINISTRATION AUTHORITY FOR THE NEW GATT ROUND. IF NEW TRADE RULES ARE NOT TO LEAD TO TRADE CONFLICT, THEY MUST BE WRITTEN MULTILATERALLY NOT UNILATERALLY. SOME OF THE MEASURES IN THE CURRENT SENATE BILL - THOUGH BETTER THAN THE HOUSE BILL - WOULD BE DAMAGING BOTH TO INTERNATIONAL TRADE AND TO US INTERESTS. TO THE EXTENT THAT THE BILL MANDATES RETALIATION, IT WOULD BE CERTAIN TO LEAD TO COUNTER-RETALIATION, IN SIMILAR FORM WHICH WOULD HIT US EXPORTS, OVERSEAS INVESTMENT AND EMPLOYMENT. IN TAKING CREDIT FOR BLOCKING THE PROPOSED EC OILS AND FATS TAX, THE PRIME MINISTER COULD USE IT AS AN EXAMPLE OF THE KIND OF THING THAT WOULD BE BOUND TO HAPPEN IF CONFRONTATIONAL (A BETTER WORD TO USE WITH THE SENATORS THAN "PROTECTIONIST") TRADE LEGISLATION IS PASSED IN THE US.

12. SEE MIFT.

ACLAND

YYYY

ORWBAN 2949

NNNN

CONFIDENTIAL

cc: PC

Foreign and Commonwealth Office

London SW1A 2AH

14 July 1987

CDP

Dear Charles,

Washington Departure Statement

at trap

Thank you for your letter of 13 July and draft statement for the Prime Minister's departure from Washington. Our officials have looked carefully at this today, and the comments which follow reflect also the views of the Foreign Secretary, who has looked at the text tonight.

We have three major changes to propose. First, the references at the top of page 2 to chemical weapons and deterrence (marked as A and B on the attached copy) might be replaced with the following new language:

A: We also have to remember that the Soviet Union has massive stockpiles of modern chemical weapons and we do not. We are not prepared to accept this. That is why we have put forward proposals for the global elimination of such weapons.

B: We reaffirmed that a mix of nuclear and conventional weapons would remain crucial to NATO's strategy of deterrence.

Our second amendment concerns the last tiret on page 1 (marked as C). We think it important to include a passage on protectionism, and suggest the following new language to be added:

C: - We agreed on the seriousness of the US trade deficit but recognised that prime responsibility for it could not be laid at the door of the US's trading partners.

- We agreed on the importance of resisting protectionist measures in whatever guise.

- We agreed there could be no winner in a trade war and that measures designed to protect US industry ran the risk of retaliation, damaging US exporters.

- We agreed on the need to work to reduce agricultural support and protection, both through action at home in the short term and in multilateral negotiations in the Uruguay Round.

Our third change, and the most fundamental, concerns the Middle East. The Foreign Secretary does not think that the penultimate tiret on page 1 strikes the right note. We should refer to freedom of navigation, without reference to oil; we should not criticise the spending of Gulf States on defence; and the best opening to the Gulf section would be a reference to the tragic loss of young lives in the conflict. Otherwise the Secretary of State is broadly content with the language on the Gulf, but strongly advises toning down the references to defence of our shipping ("the US and UK have set a strong example") since these could all too easily be misinterpreted in the region.

On the Arab/Israel peace process, the Foreign Secretary thinks the formulation in the penultimate paragraph of page 2 excellent, subject to the minor suggestions indicated in manuscript. His own preference would be to put this whole section before that on Iran/Iraq.

We should be interested to see any further draft of the statement produced before the Prime Minister leaves for Washington.

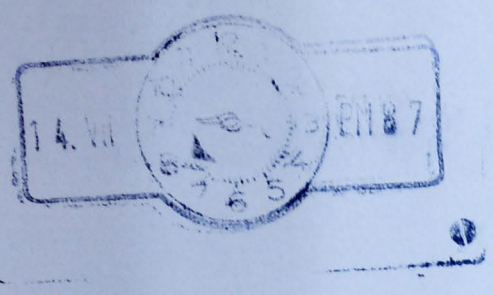
Yours ever

Robin Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

USA : PM'S VISIT PT7



SECRET

5

Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

CDP
14/7.

Dear Charles

Prime Minister's visit to Washington

Thank you for your letter of 17 July setting out the main subjects for this visit. We have prepared briefing accordingly which I now enclose, together with Washington telno 1475 which sets out the firmed-up programme.

The Foreign Secretary endorses the Prime Minister's intention to reaffirm publicly the importance we attach to the nuclear element in maintaining effective deterrence. Evidently there is a balance to be struck between putting across this point with sufficient force to the Administration, Congress and public opinion in the United States and exposing the Prime Minister to allegations of "nuclearphilia" from the anti-nuclear camp in this country and elsewhere. The Foreign Secretary therefore thinks it would be best to ensure that statements about deterrence are set in the context of well-established NATO doctrine, Alliance communiques etc; and that emphasis is placed on the extent of European agreement about the basic need for effective defence as well as on the specific weapons systems (including nuclear) needed to achieve it.

[Why? It needs to be done more vigorously] !!!

The brief covers in detail the arguments to be used with the President and others about new US nuclear deployments to Europe following an INF agreement (ie the "compensation" issue). This is one of the crucial areas on which we should aim to get agreement in principle from the President personally. There may be some in Washington, particularly in the Pentagon, who will be reluctant to take on new commitments especially on SLCMs. The Foreign Secretary suggests that the subject is best raised with the President first, in their private meeting, and only explored more widely when his personal view has been made clear.

One other point you may wish to bear in mind during the arms control/security discussions is current unhappiness (especially among conservatives) in Bonn. Mr Alexander and Sir Julian Bullard have recently confirmed the extent of the feeling in the CDU/CSU that the outcome of the INF debate was something of a betrayal of German interests by the US,

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an act which their European partners, especially ourselves, did little to prevent. You will know from your own contacts how the picture now looks in the Kanzleramt. But the Foreign Secretary believes we cannot afford to ignore the longer term dangers in these German views. In particular, there may be some risk of increased German receptivity, not only on the left but now on the right, to further Gorbachev ploys such as offers of conventional withdrawals or further zero options in nuclear weapons. We have not attempted to cover this point in speaking notes for Washington. But the Foreign Secretary believes it would be useful to sound out American thinking on this issue; and at some stage to get across to the President and his senior advisers the need to handle the Germans with particular care over the next few months.

Two other subjects on which we particularly wish to engage the President's personal attention are the US economy and the dangers of drift on Arab-Israel relations. You will note that we have included a separate brief for the restricted pre-luncheon meeting with the President. Besides the arms control issues this is an opportunity to tackle him in private in greater depth than proved possible at Venice, on the very difficult, but crucial, question of the dangers of his present policy of excluding any tax increases as part of the solution to the US budget deficit. It would also be useful to discuss the prospects for an international conference on the Arab-Israel issue without the sceptical presence of George Shultz, even though it must be doubtful if the President will move on this without a green light from him.

We have not so far had any indications of the US overall objectives for this visit. Sir Antony Acland is due to have breakfast with Howard Baker on Wednesday 15 July and will include any points in an eve of visit scene setting telegram later that day. As the visit is at our suggestion, not theirs, it is possible that the Americans have not thought much about their objectives as such. It can be expected that the President will want to congratulate the Prime Minister on her election victory and generally to consult her in more depth than was possible at Venice about arms control and other international issues, such as the Gulf. It may be more difficult to engage him on economic issues. Both the President and senior members of the Administration will also welcome the opportunity to gain some domestic political respite from Irangate by being photographed with Europe's most popular leader in the United States.

/A

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A brief on supercomputers, for use with Weinberger, will follow as soon as possible.

I am writing to you separately about the departure statement.

Yours ever

(L Parker)
Private Secretary

C D Powell Esq
PS/No 10 Downing Street

SECRET

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Foreign and Commonwealth Office

London SW1A 2AH

13 July 1987

Dear Charles

Prime Minister's Visit to Jamaica

I enclose a set of briefs for this visit, complete except for the brief on international debt, which is still in preparation (your letter of 11 July). I hope that the format is now nearer to what the Prime Minister requires.

Yours ever

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/No 10 Downing Street

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

13 July, 1987.

PRIME MINISTER'S VISIT TO WASHINGTON: DEPARTURE STATEMENT

You are no doubt working on a departure statement for the Prime Minister's visit to Washington. In case it is of help I enclose a version which reflects what I know to be her thinking and the sort of language she would like to use. It is not meant to be a pre-emptive text, only to contribute to the work which I am sure you have in hand.

You will see that the aim, undoubtedly very difficult to achieve, is to agree language on the Middle East with the Americans. This is obviously our maximum bid. The Prime Minister does not want to try to negotiate this in advance of her visit, but to raise it directly with the President and Secretary Shultz in Washington.

(C.D. Powell)

A.C. Galsworthy, Esq., CMG,
Foreign and Commonwealth Office.

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I think it is much too long. The message is not clear. We must discuss

10 DOWNING STREET

Prime Minister

Visit to Washington.

I have tried my hand at a departure statement to make at the White House following your talks with President Reagan. It represents what we would like to achieve. We must have a target.

I would like to show it to the Foreign Office, to try to galvanize them. Agree?

CDP 11/9

GRS 520

Confidential

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FM WASHINGTON
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OF 102315Z JULY 87

Nigel

You may like to see how this stands.

CDP

OUR TELNO 1414 : PRIME MINISTER'S VISIT TO WASHINGTON : PROGRAMME

1. WE HAVE FIRMED UP THE PROGRAMME FOR THE PRIME MINISTER'S VISIT AS FOLLOWS:

THURSDAY 16 JULY

2205	ARRIVE ANDREWS AIR FORCE BASE: MOTORCADE TO THE RESIDENCE

FRIDAY 17 JULY

0700-0740	BREAKFAST TV INTERVIEWS WITH ABC, CBS, NBC AND CNN IN THE RESIDENCE
0800-0900	BREAKFAST GIVEN BY VICE-PRESIDENT BUSH
0915-1000	MEETING AT THE RESIDENCE WITH SHULTZ
1015-1100	MEETING AT THE RESIDENCE WITH WEINBERGER
1130-1200	RESTRICTED MEETING (1+1 ON EACH SIDE) WITH PRESIDENT REAGAN AT THE WHITE HOUSE
1200-1315	LUNCH AT THE WHITE HOUSE (US PARTICIPANTS LIKELY TO BE, IN ADDITION TO THE PRESIDENT, THE VICE-PRESIDENT, SHULTZ, WEINBERGER, HOWARD BAKER, CARLUCCI, AMBASSADOR PRICE, MRS RIDGWAY AND LEDSKY - NSC NOTE TAKER)
1330	DEPARTURE STATEMENTS ON THE SOUTH LAWN OF THE WHITE HOUSE
1345	RETURN TO THE RESIDENCE
1430-1500	MEETING AT THE RESIDENCE WITH TREASURY SECRETARY BAKER
1515-1545	MEETING AT THE RESIDENCE WITH GREENSPAN
1615-1715	MEETING WITH A BIPARTISAN GROUP OF SENATE LEADERS IN THE OFFICE OF THE SENATE MAJORITY LEADER, BYRD
1730-1750	TV INTERVIEW FOR QUOTE FACE THE NATION UNQUOTE IN THE LBJ ROOM IN THE CAPITOL BUILDING
1800	MOTORCADE TO THE REFLECTING POOL: SHULTZ BIDS FAREWELL
1805	DEPART BY HELICOPTER FOR ANDREWS AIR FORCE BASE
1830	DEPART FOR KINGSTON

Confidential

1/2.

2. HAVING RECONNOITERED POSSIBLE SITES FOR THE TV INTERVIEW AT THE CAPITOL BUILDING AND AT ANDREWS, WE CONSIDER THE ROOM OFFERED IN THE CAPITOL MUCH MORE SUITABLE. IT IS ABOUT ONE MINUTE'S WALK FROM SENATOR BYRD'S OFFICE IN THE SECURE PART OF THE BUILDING. WE HAVE ARRANGED FOR THE PRIME MINISTER TO USE THE VICE-PRESIDENT'S SENATE OFFICE (WHICH IS VERY CLOSE TO THE LBJ ROOM) TO PREPARE IN PRIVATE FOR THE TV INTERVIEW IF THIS IS NECESSARY.
3. DETAILS OF THE ARRIVAL ARRANGEMENTS WILL FOLLOW EARLY NEXT WEEK.
4. FCO PSE ADVANCE TO PS/NO 10 AND NO 10 PRESS OFFICE.

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MR FERNN

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CONFIDENTIAL AND PERSONAL

PRIME MINISTER

VISIT TO WASHINGTON

Your visit to Washington next week comes at a very important moment. Not so much because there is one specific and vital task - defining the groundrules for the SDI or restoring the West's security after Reykjavik - but in a more general, psychological sense. The President is besieged. His authority is weakened by Irangate from which he is unable so far to break free (although Colonel North's performance may help). There are insistent reports of encroaching senility and declining comprehension of what is going on. The fact that they are not true does not make them any less damaging. We are anyway entering the dog days of the Presidency. There is a real risk of a vacuum in the leadership of the West at the very moment when the Soviet system has thrown up an articulate and appealing leader.

Your role is to rally the West and provide a sense of purpose and direction. It is not a question of supplanting American leadership. That is not feasible. Rather you need to propel the United States forward with the force of your own ideas and personality. The task is at least to disguise the weakness of American leadership and to restrain any inclination to erratic and ill-thought out initiatives. If possible it is also to go beyond that, to restore momentum in the key areas of East/West relations, arms control and the Middle East, so that the interests of the West as a whole do not suffer from the constitutional deadlock between Executive and Congress and from the year-long ritual of electing a new President - who may be unknown and totally inexperienced. This cannot all be encompassed in a one-day visit. But the visit <u>is</u> a chance to highlight what needs to be done and give a strong push to individual items of business. It is also an opportunity to remind the American people more widely that the United States' leadership role in the world is as vital as ever.

Presentation

All this means that public presentation will be an important part of the visit. The opportunities are your four breakfast television interviews, your main television interview for one of the Sunday shows and your departure statement at the White House. The main themes to get over are the following.

The first is the symbolic importance of your visit. At the very beginning of your third term you want to underline the central importance of the transatlantic relationship in our foreign policy. Your election victory was a resounding defeat for anti-Americanism.

The second is the vital importance of United States leadership to deal with the challenges facing us: a more insidious and subtle Soviet threat; arms control agreements which preserve the West's security while meeting people's real yearning to see nuclear weapons reduced; and a chance for peace in the Middle East. What happened over Iran and the Contras lies in the past. It must not be allowed to weaken United States leadership. It would be a tragedy for America and for the West as a whole if the national confidence regained under President Reagan were to be squandered.

The third is the resurgence of the United Kingdom which has steadily gathered pace over the past two years and is set to continue. You have a good story to tell: not just the prospect of a turn-around but measurable improvements already made, and the promise of more. You will want to underline your determination to press on with policies of radical reform to increase individual freedom and choice. Britain is now better equipped to give the United States practical support, in the Gulf and elsewhere.

Fourth, you will want to underline the continuing importance of nuclear deterrence. People should ask themselves why the Russians press so hard to get rid of all nuclear weapons when they themselves have more than anyone.

It is not altruism. It is because they recognise that nuclear deterrence is the one effective check on their ambition to extend their influence and their ideology. We can reduce the number of nuclear weapons. But a world without nuclear weapons would be a much more dangerous place.

You will inevitably be asked about Irangate. Part of your answer will be that what is past is past, and that we must look to the future. You might also - in the light of Colonel North's stout performance (and depending on what Admiral Poindexter says) - remind people that democracy faces attacks on many fronts. While you do not want to comment on the specific issues of Irangate and the Contras, the West must maintain the ability to defend itself by clandestine means. Otherwise those who operate by violence and intimidation get a free run.

Official Talks

There is a wide range of problems to be covered and only a relatively short time in which to deal with them. You will need to be punchy and to the point.

You will also want to balance two aims: to galvanise the Administration to extract itself from the mess of Irangate, yet restrain them from ill-considered initiatives.

There are four main areas for discussion: East/West relations and arms control, the United States economy, the Middle East and Southern Africa.

East/West Relations and Arms Control

You will want to focus on the prospects for a US/Soviet Summit in the autumn and try to get a clear understanding of what will and will not be discussed at it. Your message might be this. The Summit should be the occasion for an important arms control agreement on INF. All the elements for that are on the table. Gorbachev probably needs it more than we do.

The true scale of his domestic problems becomes daily more evident. There is no need for any more concessions (e.g. on the German Pershing IAs). Equally the Summit should not try to tackle substantively other areas of arms control. These have not been adequately prepared and there is little chance that they will be by the autumn. We do not want another Reykjavik with negotiations on ideas which are half-baked. The discussion must be focussed on what can actually be achieved.

But the Summit is also an opportunity to stop Gorbachev constantly leapfrogging the West with a stream of new proposals. We need a counter-offensive on regional issues and human rights. It must not just be an arms control Summit. Gorbachev must not believe that he can lock the West into a series of Summits, each leading to reductions in the West's defences without parallel movement on political and human rights issues.

There are also a number of individual items which you should raise with the President. The most important are:

- the need to allocate SLCMs and additional F1-11 aircraft to SACEUR to compensate for the withdrawal of Cruise and Pershing;

- the importance of resisting pressure from the Germans for early discussion of reductions in short-range nuclear missiles in Europe;

- our interest in progress with the SDI and the development of US thinking on how to handle it in negotiations with the Russians. In particular whether they are closer to adopting our proposals to give greater predictability about future plans, together with a commitment not to deploy for a fixed period.

US Economy

There are two main issues here: protectionism and the federal budget deficit.

Your message on protectionism is mostly for Congress, given that the Administration's record is generally good. You will want to make the most of your personal battle against the oils and fats tax. You might probe on how far Congress would really be willing to act on the Administration's proposal to get rid of all agricultural subsidies over a ten year period. You will want to remind them that they actually have more subsidies and higher subsidies to get rid of than the European Community does.

It is hard to know what to suggest for the best on the federal budget deficit. You will be soft-soaped with predictions that the trend is downwards and told it is all Congress' fault that progress is not faster. Most of those to whom you talk will say that they can live with tax increases but the President will never accept them. You can try on the President the line that you dislike tax increases just as much as he does: but sometimes a modest increase in e.g. excise taxes in the short-term opens the way to bigger reductions in the longer-term . That was our experience. Faster progress in reducing the deficit would also hold at bay the prospect of a world economic recession and put much greater pressure on Germany and Japan to stimulate their economies. But I am sceptical whether you will get anywhere. And we don't want to stimulate him into imposing an oil import levy.

Middle East

There are three main issues: Arab/Israel, the Gulf and Syria.

I think you should mount a major push on both Shultz and the President on an international peace conference. You have

seen both Peres and Hussein. They have registered real progress. It would be almost criminal just to leave them hanging, after the risks they have taken. They deserve active support, even if this means confrontation with Shamir. We want to see a public declaration of support for an international conference on the most effective way forward and a commitment to intensive discussion with the Soviet Union on the nature of the Conference. Your immediate aim might be to get the President to endorse, in the departure statements, something very similar to the statement which we put out following your meeting with Peres.

On the Gulf, you will be able to agree on the need to push through the Security Council resolution calling for a cease-fire. Once that is in place, we should ensure that Iraq ceases attacks on shipping in the Gulf. We can hold out the threat of an arms embargo against Iran (but no other sanctions). You will want to get as explicit assurance as can be obtained that there will be no pre-emptive strike against Silkworm.

You will also want to reinforce what you have already said to the President about moving a step at a time in restoring contacts with Syria. Asad obviously wants to recover respectability. He must be made to pay a price at every stage: release of hostages, removal of those responsible for implementing terrorist actions, further proof that Syria is withdrawing all support for terrorist groups.

Southern Africa

There are two main items: first how to head off a new round of US sanctions against South Africa together with useless declarations of principles, and focus instead on direct and discreet contacts with the South African government: and second Mozambique.

On South Africa the risk is that the President's report to Congress in September on the operation of US sanctions over

the past year, coinciding with the first stirring of the Presidential election campaign, will lead to demands for additional sanctions (and even support for mandatory sanctions at the UN). This will make your life very difficult at CHOGM. You will want to reiterate the arguments against sanctions, underlining that they have proved thoroughly ineffective so far. You will also want to discourage a declaration of principles, which may be a sop to the consciences of some but would have no practical effect. You might suggest a combined effort by the United States and United Kingdom to enter into a confidential dialogue with Botha designed to persuade him to take certain specific steps e.g. release of Mandela.

On Mozambique you will want to reiterate to the President your judgement that Chissano deserves support (and Renamo does not). Our aim should be to detach countries like Mozambique from Soviet influence, which means showing that we have more to offer. The Soviet Union is already in retreat on Africa. We want to put it to flight.

The briefs will reach you next week together with a draft of the departure statement. This note is an attempt to set the scene.

C.D. POWELL
10 July 1987

file

PRIME MINISTER

DEREGULATION

Vice President Bush's Chief of Staff telephoned me this afternoon from Washington. The Vice President recalled a very generous comment by Lord Young when he was in Washington to the effect that people in Europe attributed the greater part of the United States' success in creating millions of new jobs to deregulation. The Vice President was in charge of the United States Government's efforts to increase deregulation, but was unable to get any publicity for it, largely because of hostility of the Press to him as the next Presidential Election came closer. If you were able to find any way, in the Television interviews during your visit to Washington, to praise the United States deregulation effort and the Vice President's leadership, he would count it a great favour. I promised to put this to you.

CDP

10 July, 1987.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

10 July 1987

PRIME MINISTER'S VISIT TO WASHINGTON: AIRBUS

M. Chirac's Diplomatic Adviser telephoned me this morning to say that M. Chirac very much hoped that the Prime Minister would raise the subject of Airbus during her talks in Washington on 17 July. The Americans appear to be mounting a new offensive against Airbus. A robust reply from the Prime Minister will be very effective in countering this. M. Chirac had himself taken a forthright line with the Americans in February and this seemed to have had some effect. Anything which the Prime Minister said was, by definition, likely to be even more effective.

No doubt the matter is already being covered in the briefing. But I thought that I should report what M. Bujon had to say.

I am copying this letter to Alex Allan (H.M. Treasury), Tim Walker (Department of Trade and Industry) and Trevor Woolley (Cabinet Office).

CHARLES POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

GRS 239

CONFIDENTIAL
FM KINGSTON
TO IMMEDIATE FCO
TELNO 267
OF 102045Z JULY 87
AND TO INFO IMMEDIATE WASHINGTON

FOR COLONEL DURANT

VISIT OF PRIME MINISTER: FCO TELNO 235.

1. THE U.S. AMBASSADOR HAS ON HIS OWN INITIATIVE OFFERED THE USE OF HIS ARMOUR-PROTECTED CAR FOR THE PRIME MINISTER'S VISIT. I RECOMMEND ACCEPTING THIS HELPFUL OFFER, AT LEAST FOR THE INITIAL NIGHT-TIME JOURNEY FROM AIRPORT TO TRAFALGAR HOUSE ON FRIDAY 17 JULY.

2. THE PRIME MINISTER'S SECURITY IS OF COURSE PARAMOUNT. IF HOWEVER THE PRIME MINISTER'S PROTECTION OFFICER FEELS THAT IT WOULD BE PERMISSIBLE FOR THE PRIME MINISTER TO TRAVEL IN AN UNPROTECTED CAR DURING THE DAY, I WOULD ENVISAGE THAT SHE MIGHT USE MY OFFICIAL JAGUAR ON 18 JULY (BUT PLEASE ALSO SEE PARA 3 BELOW).

3. SEAGA INTENDS TO ACCOMPANY THE PRIME MINISTER ON SOME OF HER JOURNEYS ON 18TH AND IT IS QUITE LIKELY THAT HE WILL INVITE HER TO TRAVEL WITH HIM FOR SOME OF THE WAY, EG BETWEEN VICTORIA PIER AND TWICKENHAM PARK AND THEN ON TO SPANISH TOWN. IF HOLMES FEELS IT NECESSARY TO ADVISE AGAINST THIS, I WOULD WANT TO PREPARE SEAGA'S OFFICE IN ADVANCE SO AS TO AVOID EMBARRASSMENT. IF THE ADVICE IS AGAINST TRAVELLING WITH SEAGA IN HIS LARGELY UNPROTECTED CAR, THEN FOR PRESENTATIONAL REASONS VIS A VIS THE JAMAICANS, THE JAGUAR WOULD ALSO BE RULED OUT AND THE U.S. CAR WOULD HAVE TO BE USED THROUGHOUT.

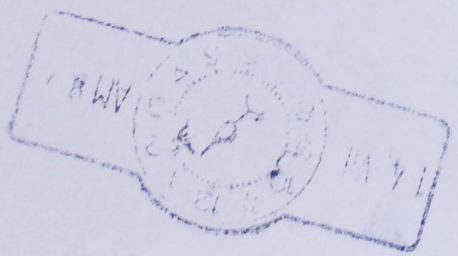
4. YOUR ADVICE AGAINST USE OF HELICOPTERS IS NOTED AND WILL GUIDE OUR FURTHER DISCUSSIONS WITH THE JAMAICANS.

PAYNE

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VISIT OF PRIME MINISTER

OUR TELNO 256 (PARA 4)

1. SOUGHT THE VIEWS OF DEPUTY COMMISSIONER OF POLICE SINCLAIR (SECURITY) ON 9 JULY ON THE PRIME MINISTER'S VISIT IN GENERAL AND THE JOURNEY FROM THE AIRPORT IN PARTICULAR.

2. HE CONFIRMS THAT THERE IS NO INTELLIGENCE TO SUGGEST A SPECIFIC THREAT AGAINST THE PRIME MINISTER. HE THINKS SMALL-SCALE ANTI-APARTHEID DEMONSTRATIONS ARE A POSSIBILITY.

3. NEVERTHELESS FOR SECURITY REASONS, HE ADVISES THAT IT WOULD BE BEST FOR THE PRIME MINISTER TO TRAVEL FROM THE AIRPORT TO JAMAICA HOUSE BY HELICOPTER. IF SHE IS TO TRAVEL BY ROAD, HE RECOMMENDS THAT HER CAR IS ARMOURED-PROTECTED. HE IS NOT HAPPY WITH THE IDEA OF THE PRIME MINISTER TRAVELLING IN AN UNPROTECTED CAR AS NO SECURITY OPERATION COULD GUARANTEE AGAINST THE OUTSIDE CHANCE OF SOMEONE SHOOTING AT THE CAR FROM THE COVER OF THE FOOTHILLS OF THE WAREIKA HILLS OR ADJACENT LANES. WE EXPHASISE THAT WE ASSESS THE THREAT TO THE PRIME MINISTER AS LOW AND THAT THERE IS NO INTELLIGENCE TO SUGGEST ANYONE IS PLANNING SUCH AN ATTACK , BUT THE POSSIBILITY CANNOT BE RULED OUT ALTOGETHER.

4. DETAILED SECURITY ARRANGEMENTS FOR THE VISIT WILL, OF COURSE, BE DISCUSSED BY THE PRIME MINISTER'S PROTECTION OFFICER WITH THE JAMAICAN AUTHORITIES WHEN HE VISITS HERE FROM 11-16 JULY. MEANWHILE, WE THOUGHT THAT YOU SHOULD BE KEPT INFORMED OF THE ADVICE WE ARE RECEIVING FROM THE RELEVANT JAMAICAN AUTHORITIES. IN THE LIGHT OF THE ABOVE, PERHAPS THE DECISION NOT TO SEND OUT AN ARMOUR-PROTECTED CAR ON A C130 SHOULD BE RECONSIDERED?

PAYNE

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KGHPAN 2381

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DRAFT DEPARTURE STATEMENT

Mr President, I am most grateful for your kind words and for your invitation to me to visit Washington. I very much wanted to come to the United States right at the beginning of my third term, to underline once again the absolutely central importance to us of the UK/US relationship. I am glad to report that it is as strong and as special today as it has ever been.

In the battle to defend freedom the United States is the flagship. It is vital that she stays firmly on course, not looking backwards at what is past, but always scanning ahead to identify the dangers and prepare for them. American leadership is vital - and I am sure that it will be forthcoming.

Mr President, our talks today have covered the principal challenges facing the West:

- Our wish to reduce the number of nuclear weapons - always keeping in mind the great preponderance that the Soviet Union enjoys in chemical weapons and conventional forces. We must ensure that the strong defence of the West is preserved at every step. We must watch the strategy, watch the tactics and watch the presentation .

- The Middle East, which will continue to be the West's main source of oil and therefore vital to our future. We have to ensure the free flow of oil through the Gulf. We need to recognise too that the countries of the region can ill afford, in the interests of their own people, to go on spending such enormous sums on defence. It is time to press ahead and make a fresh effort to bring about a peaceful settlement of the Arab/Israel problem.

- We must continue the economic growth and prosperity which we need in order to meet our own people's ambition for a better life, and at the same time provide the resources to help others raise their standard of living.

The President and I are at one in wanting to see an agreement eliminating intermediate nuclear missiles on a global basis. The main elements are on the table. In particular you have to be sure that the person you are negotiating with will do what he says and that you can check it at every stage. You cannot just rely on trust. We also have to remember that if the Soviet Union has the most modern chemical weapons and we do not, and this puts us at a disadvantage. We must therefore find a way to eliminate those weapons or match what the Soviet Union have. The President and I confirmed the priorities for future arms control negotiations on which we agreed at Camp David last November and we reaffirmed the vital importance of nuclear deterrence in preserving peace with security.

Second, we devoted particular attention to the situation in the Middle East. First the Iran/Iraq war and the Gulf, where we strongly endorsed the proposed Security Council resolution calling for a ceasefire. We hope that it will lead to an immediate end to attacks on shipping in the Gulf, although we are both fully determined to defend our merchant ships and tankers if need be. The United States and the United Kingdom have set a strong example in that respect.

We also discussed the prospects for an international conference to bring peace in the Middle East. We agreed - and here, Mr President, I use words which we both formally endorsed - we agreed that an international conference is the most practical way forward to negotiations between the parties directly concerned. We agreed that the conference should act as a framework within which direct negotiations between the parties would take place, and that it would not have the right to impose solutions. We urged all parties not to miss this opportunity to take a major step forward in the peace process, and committed ourselves to work for it.

Mr President, we touched upon a number of other subjects. I will mention only one and that is Mozambique. I explained to you that practical and humanitarian help which we are giving to the government of President Chissano, in the belief that

they are making a real effort, in the face of many difficulties, to solve Mozambique's problems peacefully. We hope that the United States will support that effort.

Mr President, may I thank you once again for your hospitality and for your leadership, and wish you well.

DRAFT DEPARTURE STATEMENT

Mr President, I am most grateful for your kind words and for your invitation to me to visit Washington. I very much wanted to come to the United States right at the beginning of my third term, to underline once again the absolutely central importance to us of the transatlantic relationship. I am glad to report that it is as strong and as special today as it has ever been. We have heard some talk in the past year or so of anti-Americanism in Europe. The return of a Conservative Government for a third consecutive term was a resounding defeat for any such tendency in the United Kingdom.

Mr President, our talks today have covered the principal challenges facing our two countries in the field of foreign affairs. I think that I can say that we are firmly resolved to face those challenges together. They are the challenges:

(1) of securing reductions in nuclear weapons consistent with our security;

(2) in the Middle East

of keeping open vital sea-routes particularly in the gulf;

of trying to bring peace to the troubled Middle East;

of preserving democracy in Central America;

(3) of fighting terrorism;

(4) of ensuring continuation of the steady economic growth which both our countries have engaged and of defeating protectionism;

do we have to do this?

of encouraging peaceful change in South Africa.

On all these, American leadership is as vital now as it has ever been. We cannot afford to see it weakened or distracted. I am confident that leadership will be forthcoming.

We discussed in particular the prospects for reducing nuclear arms. We agreed that all the elements were there for a successful agreement to eliminate US and Soviet intermediate and shorter-range intermediate nuclear missiles globally. We called on the Soviet Union to join in taking that historic step. We endorsed the priorities for further reductions in nuclear and chemical weapons on which we agreed at Camp David last November. They provide the framework for future negotiations. We reaffirmed the vital importance of nuclear deterrence in preserving peace with security.

You told me, Mr President, of your hope that you would be able to hold a further summit meeting with General Secretary Gorbachev later this year. I share that hope. Such a meeting should not deal just with arms control, but also with crucial regional issues and with human rights. Reductions in nuclear weapons require action to remove the basic courses of conflict in the world. Our people will only have the necessary trust and confidence for lasting agreements with the Soviet Union when they see the Soviet people - including Jews in the Soviet Union - benefit from the principles to which the Soviet Government committed itself in the Helsinki agreements. At the same time, Mr President, we both expressed admiration for the way in which Mr Gorbachev is tackling some of the Soviet Union's most pressing problems. We wish him well, in the belief that his success in this task will improve the prospects for peace.

We devoted particular attention today to the situation in the Middle East. First the Iran/Iraq war and the Gulf, where we strongly endorsed the Security Council resolution calling for a ceasefire. We hope that it will lead to an immediate end to attacks on shipping in the Gulf, although we are both fully determined to defend our merchant ships and tankers if need be. The United States has set a strong example in that respect.

We also discussed the prospects for an international conference to bring peace in the Middle East. We agreed - and here, Mr President, I use words which we both formally endorsed - we agreed that an international conference is the most practical way forward to negotiations between the parties directly concerned. We agreed that the conference should act as a framework within which direct negotiations between the parties would take place, and that it would not have the right to impose solutions. We believed that a successful conference on this basis would enhance Israel's security. We urged all parties not to miss this opportunity to take a major step forward in the peace process, and committed ourselves to work for it.

Mr President, we touched upon a number of other subjects. I will mention only one and that is Mozambique. I explained to you that practical and humanitarian help which we are giving to the government of President Chissano, in the belief that they are making a real effort, in the face of many difficulties, to solve Mozambique's problems peacefully. We hope that the United States will support that effort.

Mr President, may I thank you once again for your hospitality and for your leadership, and wish you well.

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C/F
Incoming copies?
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File

Ger

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

2 July 1987

Dear Julian.

Thank you very much for your letter and for sending former President Nixon's thoughts about my forthcoming visit to Washington. It was very useful to have these, as well as your comments. Generally speaking I agree with what you both say. We must be firm on the conditions for an INF agreement, and should exclude the Pershing IAs. I also very much agree that the Russians should not be allowed to limit the agenda of a future summit to arms control. There are many other issues on which we must tackle them - and indeed I did so when I met Mr. Gorbachev in April. As you know, we are making our own significant contribution to ensuring freedom of navigation in the Gulf. I discussed this with President Reagan in Venice and I am confident he understands our position. We are cooperating closely with the Americans.

Yours ever

Margaret

The Rt. Hon. Julian Amery, M.P.

DAS

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PRIME MINISTER'S VISIT TO WASHINGTON: AGENDA

1. FOLLOWING ARE BRIEF NOTES ON THE MAIN AGENDA ITEMS FOR THE PRIME MINISTER'S MEETINGS ON 17 JULY, WITH AN INDICATION OF THE LIKELY INTERLOCUTORS.

ARMS CONTROL/EAST-WEST RELATIONS

2. ARMS CONTROL SHOULD BE HIGH ON THE AGENDA FOR THE DISCUSSION WITH THE PRESIDENT, VICE-PRESIDENT, SHULTZ AND WEINBERGER, AS WELL AS WITH THE SENATE LEADERSHIP. (SHULTZ MAY JUST HAVE HAD SHEVARDNADZE IN WASHINGTON TO DISCUSS THE SUMMIT - SEE MY TELNO 1394). OUR OBJECTIVE SHOULD BE TO ENSURE THAT THE NEXT US/SOVIET SUMMIT PRODUCES NO REYKJAVIK-TYPE SURPRISES.

3. SHULTZ WOULD NO DOUBT BE READY TO DISCUSS OTHER ASPECTS OF HIS TALKS WITH SHEVARDNADZE SUCH AS REGIONAL ISSUES, HUMAN RIGHTS AND THE US EMBASSY BUILDING.

US ECONOMY

4. THIS IS THE OTHER OBVIOUS TOPIC FOR THE PRESIDENT BUT I SUGGEST (IN RESTRICTED SESSION). HE HAS RECENTLY REPEATED HIS THREAT TO VETO TAX INCREASES BUT HE HAS IN THE PAST ACCEPTED SOME HIGHER TAXES AS PART OF A BUDGET COMPROMISE. THE PRIME MINISTER COULD WELCOME THE PRESIDENT'S ACCEPTANCE THAT PROGRESS IN REDUCING THE FEDERAL BUDGET DEFICIT WOULD BE A MAJOR CONTRIBUTION TOWARDS DEALING WITH CURRENT TRADE IMBALANCES AND PREVENTING A WORLDWIDE RECESSION. JAPAN AND GERMANY HAVE A PART TO PLAY BUT, DESPITE THE WELCOME PROGRESS HE DESCRIBED AT VENICE IN REDUCING THE FEDERAL DEFICIT, SOME (EXCISE?) TAX INCREASES SEEM ESSENTIAL. (AS BACKGROUND FOR BRIEFING ON THIS ITEM, A NOTE ON THE LATEST STAGE OF PLAY ON THE BUDGET IS BEING SENT BY BAG ON 2 JULY).

5. THE SAME RECIPE FOR SECRETARY BAKER, CONCENTRATING ON THE COMMITMENTS MADE BY THE US AT VENICE. ON UNITARY TAX, IT MIGHT JUST BE WORTH THE PRIME MINISTER MENTIONING THE FAVOURABLE JUDGEMENT IN THE FIRST ROUND OF THE BARCLAYS BANK CASE AND THE NEED FOR ADMINISTRATION SUPPORT IN SUBSEQUENT ROUNDS. SHE WILL NEED DEFENSIVE BRIEFING ON EMS AND FURTHER UK TAX REFORM.

6. GREENSPAN COULD BE INVITED TO GIVE HIS VIEWS ON THE DOLLAR, /INFLATION

CONFIDENTIAL

PROBABLY STILL HAS AN OPEN MIND ON THIS), THE VICE-PRESIDENT, SHULTZ (STATE'S EFFORTS TO SECURE TANGIBLE US SUPPORT FOR CHISSANO HAVE SO FAR BEEN LARGELY UNSUCCESSFUL) AND WEINBERGER, IT WOULD BE USEFUL TO RE-EMPHASISE THE WESTERN INTEREST IN ENCOURAGING THE MOZAMBIQUE GOVERNMENT TO MOVE AWAY FROM THE RUSSIANS, AND TO MENTION BRITISH MILITARY AND ECONOMIC AID. THE ADMINISTRATION WOULD WELCOME IT IF THE PRIME MINISTER WOULD MAKE THE SAME POINTS TO REPUBLICAN SENATORS.

MISCELLANEOUS SUBJECTS

12. OTHER SUBJECTS WHICH MAY COME UP (PARTICULARLY WITH SHULTZ) ARE:

CENTRAL AMERICA (DEFENSIVE ONLY),
SOUTH KOREA (A WORD OF CONGRATULATION) AND
ARGENTINA.

13. SEE MIFT FOR OUTLINE OF THE PRIME MINISTER'S PROGRAMME.

14. PLEASE PASS ADVANCE COPY TO JENKINS, C/O HEADS OF MISSION SECTION.

ACLAND

YYYY

QRWBAN 2683

LIMITED

NAD	PS
ACDD	PS/MRS CHALKER
SOV D.	PS/MR EGGAR
OED (MOSCOW UNIT)	PS/LD GLENARTHUR
EED	PS/MR MELLOR
WED	PS/PUS ——— CHIEF CLERK
ECDS	MR GILLMORE
DEF D.	MR BOYD
ERD	MR FALL
ECON. ADVSRS	MR BRAITHWAITE
NED	SIR J. FRETWELL
MAED	MR RATFORD
NENAD	MR KERR
MED	MR MCLAREN
CAFD	SIR D. MIERS
MCAD	MR FEARN
SAFD	MISS PESTELL
FED	MR MUNRO
FID	MR TOMKYS
PLANNING STAFF	MR MAUD
PROTOCOL D.	
NEWS D.	
INFO D.	
TRED	



(2)

FROM: THE RT. HON. JULIAN AMERY, M.P.

112, EATON SQUARE,
SWIW 9AA
TEL: 01-235 1543
01-235 7409

PERSONAL

30th June, 1987

Prime Minister

You will want to see former President Reagan's Nixon's paper (attached) It suggests that the three items of your visit to Washington:

- it went to stick to its guns on INF, particularly the Pershing IAs
- not let the Russians get away with an arms control only summit
- support for President Reagan in the Gulf.

CD
1/7.

Dear Margaret,

Ex-President Nixon rang me on Tuesday of last week. He had just undergone a prostate operation but his voice seemed firm and his thinking was as clear as usual. He thought your forthcoming visit to President Reagan could be of decisive importance in determining United States policy in the run up to and at the expected super Power summit in October.

I asked him what line he thought you should take with President Reagan. He said he would think about it and let me know his views. He has been as good as his word and sent me the enclosed memorandum which arrived yesterday. It is obviously intended for your eyes.

For what it's worth I find myself in almost total agreement with what Mr. Nixon has written. I have, however, added a short note to his memorandum which you may care to glance at.

Yours ever,

Julian.

Julian Amery

The Rt. Hon. Mrs. Margaret Thatcher, MP

From: The Rt. Hon. Julian Amery, MP

NOTE:

"The Germans be allowed to retain their Pershing 1A's"

There is still insufficient understanding in Europe and even more in the United States of the dilemma which an INF agreement presents to a patriotic German. If he is sceptical of American readiness to defend West Germany he has a choice:

Either to seek to acquire nuclear weapons under full German control; this is what Franz Josef Strauss has told me is his preferred solution. Or to strengthen his links with Moscow by loans, technology transfers etc. The latter enhanced by the hope of some reunion with East Germany could lead to some form of neutralism.

Keeping the Pershing 1A's is a halfway house to giving the Germans nuclear weapons. In the crunch the Americans could always hand over the dual key. By the same token the existence of Pershing 1A's on German soil may impose some brake on too rapid a development of German-Soviet relations.

Afghanistan and other regional issues:

Mr. Nixon rightly stresses that arms control negotiations should go hand in hand with negotiations over regional issues. He stresses, in particular, Afghanistan which clearly deserves the highest priority. It would seem important, however, to include Angola, Ethiopia and Aden. The Soviets have never succeeded in consolidating their hold on these countries. They are remote from the Soviet Union and Mr. Gorbachev might not find it too difficult to cut his losses there. Angola also strikes a strong chord with many American Republicans. Dr. Kissinger once told me that he regarded the Clarke Amendment as the worst set-back in his career as Secretary of State.

../.

The Persian Gulf

I agree with Mr. Nixon that President Reagan is right in his policy towards the Persian Gulf, i.e. flagging the Kuwaiti tankers and upgrading the U.S naval presence in the Gulf. On the merits of the case we should be prepared to support him provided - and it is a big proviso - we can be confident that the Administration will see the policy through and not back down, as they did over the Lebanon, if things get rough.

***

JA

30.6.87

The time has come for Margaret Thatcher to play a crucial leadership role in the Western Alliance. In just one year, the Democrats, followed by the Republicans, will nominate their candidates, and Reagan will have lost his power to affect the course of events. Any one of the current crop of Democratic or Republican candidates who has any chance whatever to win will be less hard-line than he is against Soviet expansionism. For the next five years, Margaret Thatcher is the only leader in the West who can fill this vacuum of leadership.

Consider her credentials: As a result of her decisive election victory, she has a solid political base. Britain has a strong economy. The British people rejected her opponent who had advocated unilateral nuclear disarmament. She is able to speak to her American counterpart in the same language. Most important, she is experienced, tough-minded, and has enormous credibility throughout the world as a strong, principled leader.

Margaret Thatcher will be the only qualified Soviet expert among Western leaders for the next five years. Not one of the U.S. Presidential candidates likely to be elected is in Thatcher's class as a strategic thinker and as an expert on the Soviet Union. She knows Gorbachev. The doves like the fact that she says she can do business with him. But at the same time, the hawks have confidence that she is not going to allow Gorbachev to give us the business. Gorbachev is one of the most formidable leaders of the post-

World War II era. Margaret Thatcher is one of the few who has demonstrated that she can get in the ring with him and take him on toe-to-toe. This is not to suggest that she would assume the responsibility of negotiating with him for the Alliance. But it is a powerful argument for her to exert her influence now with President Reagan and to be prepared to do so with his successor eighteen months from now.

In commenting on the INF agreement, the Turkish foreign minister told me last month in Istanbul that it was a brilliant diplomatic move for Gorbachev because he was able to kill three birds with one stone: to divide Europe from the United States, to divide the Europeans amongst themselves, and to divide the Germans between themselves. I would add that he also killed a fourth bird. When this agreement is signed with high drama in Washington this fall by Reagan and Gorbachev, it will inevitably tend to lead to some euphoria. There will be a reduction of support for defense programs in the United States and increased opposition to taking a firm line against Soviet expansion in regional areas on the grounds that we do not want to "poison the atmosphere." There is no one better qualified than Margaret Thatcher to take a Churchillian stance in warning against this reaction. The reduction of weapons to be achieved by the treaty will account for only three percent of the fifty thousand nuclear warheads in the world. The nuclear threat to the United States will not be reduced at all since SS-20s cannot reach the United States. The nuclear threat to Europe will remain

the same in view of the fact that the Soviet Union can cover all European as well as U.S. targets with its strategic forces. Ironically, the only threat that is reduced is the threat to the Soviet Union from Allied Pershing 2's in Europe that could reach Soviet targets.

This is a time of great danger but also great opportunity for the West. Gorbachev recognizes the profound weaknesses of the Soviet system. His first priority must be to strengthen his economy. To buy time and if possible get assistance in achieving that priority, he needs a relaxation of tensions with the West. Our public position should be to welcome his reforms if his purpose is confined to achieving economic progress within the Soviet Union. But it would be opposed to our interests if we were to give him the time and assistance he needs so that he could strengthen his economy and resume his expansionist foreign policy from a stronger base. He can't have it both ways. We should not help him solve his problems at home while he continues to cause us problems abroad. Putting it bluntly, we should make him pay a price when he needs our cooperation and a relaxation of tensions.

INF

The deal is done. Because both Gorbachev and Reagan want it for different reasons, the otherwise difficult details involving verification, etc. will be resolved. It is therefore irresponsible to oppose the deal or to criticize Reagan for making it. But it would also be

irresponsible not to try to improve it. 1) Reagan should insist that the Germans be allowed to retain their Pershing 1A's. 2) He should draw a line in the sand against any further reduction or elimination of tactical or airborne nuclear weapons. 3) He should insist that the SS-20 zero should be worldwide. If the Soviets retain one hundred in Asia, verification problems will become almost insoluble. 4) During the five-year period in which intermediate weapons are to be phased out, we should insist that negotiations go forward on reducing the huge Soviet superiority in conventional and chemical weapons.

There has been speculation that the administration negotiators are reluctant to press the Soviets hard on these issues for fear that Gorbachev will withdraw his offer. This fear is unfounded. Consider the facts: After the Venice summit, one of the weekly news magazines pointed out that foreign leaders came away convinced that Reagan was "hell bent" for an INF deal and that Shultz felt the same way because of his desire to have a foreign policy 'victory' before he leaves office. The general assumption among foreign policy experts is that Reagan desperately needs a deal to divert attention from the Iran-Contra controversy and to restore his political popularity. What they overlook is that Gorbachev needs a deal more than Reagan. In fact, as Reykjavik demonstrated, Reagan can gain more politically by refusing to make a deal that he considers to be bad than he might be able to gain by making one which would subject him

to criticism that he had gone "soft" on the Soviets because of political considerations.

The experts also mistakenly point out that Gorbachev now would be well-advised simply to wait for Reagan's successor in view of the fact that any successor will not be as hard-line as Reagan. What they fail to recognize is that Gorbachev needs a deal now in order to concentrate on his domestic reforms. If he doesn't make a deal with Reagan, it will be two or three years before Reagan's successor will be strong enough politically to make one. He also faces the danger that if Reagan leaves office with no stake in a new, less confrontational relationship with the Soviets, he would be able to mobilize enough support in the Senate to block approval of any treaty his successors might negotiate.

The Summit Agenda

Gorbachev wants an arms control summit. Reagan must not play that game. He should insist that equal priority be given to regional conflicts which could lead to the use of arms. Afghanistan is a very dicey issue. Gorbachev wants to cut his losses there but he does not dare do so in a way that would give ideas to dissidents in other parts of the Soviet empire and in the Soviet Union itself. We have an obligation to the three million anti-Soviet Mujahadeen and to Pakistan not to fall into the trap of discontinuing our support for the anti-Soviet forces until the Soviets release their grip on the country. The Soviets are justified in opposing any agreement which would result in an anti-Soviet regime being

on their border. On the other hand, we are just as justified in insisting that the government of Afghanistan not be under Soviet control directly or indirectly in a way that would pose a threat to Pakistan and its other neighbors in the Persian Gulf. With his brilliant political instincts, Gorbachev may make a grandstand play on Afghanistan at the summit. It is vitally important that Margaret Thatcher discuss this problem with Reagan so that Reagan will follow his own very good intuitions rather than the advice of foreign service officers who too often proceed from the assumption that any deal is better than no deal.

The Persian Gulf

Reagan should be supported for three reasons:

1) To prevent the Soviet Union from achieving its long-time goal of gaining in the Persian Gulf. One of the negative fallouts of the Iran arms sale was the loss of credibility for the United States among Arab moderates opposed to Iran. The Kuwaitis would never have invited the Soviets in had they not lost some confidence in the U.S. The United States and the West cannot allow countries like Kuwait to have no choice but to become clients of the Soviet Union.

2) To prevent an Iranian victory in the war with Iraq. Iraq is no bargain. But it does not threaten its neighbors and Iran does. In fact, Iranian support of radical fundamentalism is a potential threat to nations from Morocco to Indonesia. For Iran to win this war would give enormous impetus to radical Moslem movements -- Sunni as well as Shi'te

in countries as different as Morocco, Tunisia, Algeria, Egypt, Saudi Arabia, Pakistan, and Malaysia.

3) To keep the oil lines from the Gulf to the West and Japan open. Arguments are made that the oil will be available in any event whoever controls it. But if either the Soviet Union or Iran succeeds in doing so, this could have catastrophic consequences worldwide.

The debate on flagging the Kuwaiti tankers has developed more heat that light. The critics have found at least fifteen reasons for doing nothing except for the pathetic cop-out of turning the matter over to the United Nations. They point out the risks of ships being attacked and of possibly losing influence with post-Khomeini Iran. There are possible risks of doing something. But the risks of doing nothing are certain: A Soviet foothold in the Gulf, an emboldened, strengthened Iran exporting its revolution all over the Moslem world, and disruption of the world oil market with enormous economic consequences.

There would be another very disturbing fallout if Reagan did not go forward with the announced policy. After the Iran fiasco and after both Carter and Reagan have declared the Persian Gulf to be of vital interest to the U.S. and after the Administration backed off of its sale of F-15s to the Saudis because of pressures from the Israeli lobby, to back down now from the reflagging would be a mortal blow to U.S. credibility in the area. The big enchilada has been and always will be Saudi Arabia. The Saudis, of

course, pay off all sides, but they have a mortal fear of both the Soviets and the Iranians. They want to be on our side. But if they lose confidence in us, they will turn elsewhere.

This is a very tough call for Reagan, and he should be commended for making this decision in spite of opposition from both partisan Democrats and a substantial number of Republicans as well. Without regard to anything else she discusses with Reagan, Margaret Thatcher's support on this would make her trip to Washington worthwhile. Just as important: She and her associates should have extended talks with their U.S. opposite numbers on the Gulf crisis and related issues. Because of their long experience in keeping the peace in the Gulf, the British have forgotten more than most of our diplomats will learn. Reagan needs not only Thatcher's assistance but her advice and counsel. The U.S. must not appear to be going it alone in its Gulf policy.

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cc PC
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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

25 June 1987

PRIME MINISTER'S VISIT TO WASHINGTON

Thank you for your letter of 22 June suggesting that I should talk to the Moroccan Ambassador about the Prime Minister's inability to attend the King of Morocco's return banquet on 16 July.

I talked to the Ambassador today about attendance at the Prime Minister's own lunch for the King, the talks beforehand and the return banquet. The Ambassador took the news of the Prime Minister's inability to attend with reasonable equanimity but suggested that it would be useful if our Ambassador in Rabat were to take supporting action there. I think this would be wise. I told the Ambassador that the Prime Minister would, of course, explain the reasons personally to the King when she saw him in London.

C. D. POWELL

Robert Culshaw, Esq., M.V.O.,
Foreign and Commonwealth Office

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18

cc PC

Foreign and Commonwealth Office

London SW1A 2AH

22 June 1987

Dear Charles

Prime Minister's Visit to Washington

Your letter of 17 June sought advice on how to handle with the King of Morocco the Prime Minister's inability to attend his return banquet on 16 July.

We need not make too much of this, although King Hassan will naturally be disappointed. The King has made clear to Mr Byatt his wish for a really substantive talk with the Prime Minister, and will therefore regard his talks and lunch at No 10 on 15 July as very important; if they go well, he may not be too upset at the Prime Minister's absence from his banquet.

We understand that invitations to the Moroccan banquet have not yet been sent out; there may be a further delay because the King's Private Secretary, Mr Frej, has been obliged through illness to postpone his visit to London (during which he was to have finalised the arrangements). The best way of handling the matter might therefore be for you to speak soon to the Moroccan Ambassador, Mr Znined, to explain that there is no need to send an invitation to the Prime Minister. He may well already have deduced from press reports of her plans to visit Washington that she will not be able to attend the Moroccan banquet.

You might also take the opportunity to discuss with Mr Znined the arrangements for the talks and lunch. As you will know, the Moroccan Embassy have asked for additional invitations for distinguished Moroccans expected to accompany the King but who will not be members of the official suite; you may wish to reassure Mr Znined personally that there will be no problems on that score.

If, in the light of Mr Znined's reaction, you judge that further action is needed, we could ask Mr Byatt to follow up with Mr Frej in Rabat.

Yours ever

(R N Culshaw)
Private Secretary

C D Powell Esq
10 Downing STreet



USA

VISIT TO

WASHINGTON

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CCPC

10 DOWNING STREET

LONDON SW1A 2AA

17 June 1987

From the Private Secretary

PRIME MINISTER'S VISIT TO WASHINGTON

You will have seen Washington tel. no. 1291 about the Prime Minister's visit to Washington. I enclose a reply which, subject to the Foreign Secretary's views, I should be grateful if you would despatch.

There is one possible protocol problem to be solved. If the Prime Minister is to have a full day in Washington on 17 July, she will need to fly over there on the Thursday evening. This will mean missing the return banquet given by the King of Morocco during his State Visit. I have consulted the Palace informally, who say that The Queen would not object. I should be grateful for early advice on how the matter can best be handled with the King of Morocco.

Bf

It would be helpful if you could now put in hand briefing for the visit. The main purposes will be to reach the tightest possible understanding of how the President intends to handle arms control issues in the run-up to a likely US/Soviet Summit, so that we do not face unpleasant surprises as emerged from Reykjavik; and to tackle the President and other leading members of the Administration in greater detail than was possible at Venice on the Federal deficit. The Prime Minister will also want to use her media interviews to get across to the wider American public the continuing importance of nuclear deterrence, as an antidote to some of the President's statements about a nuclear-free world. The main subjects will therefore be:

- the US economy;
- arms control;
- East/West relations and US/Soviet Summit;
- Middle East (Arab/Israel, Iran/Iraq and the Gulf);
- Mozambique;
- Trade questions.

SECRET

DRAFT TELEGRAM

SECRET

Dedip

Immediate Desk by 17 1300 Z

Following personal for Ambassador from Charles Powell, No 10.

Your tel. no. 1291: Prime Minister's Visit to Washington.

The Prime Minister accepts with pleasure the President's invitation for a talk followed by a lunch at the White House on Friday 17 July. She hopes that it can be a working lunch, and would propose to be accompanied on our side by you and me only.

The suggestions for the programme in paragraph 3 of t.u.r. are generally acceptable to the Prime Minister, although they amount to a very full day. We might have to drop the idea of a ceremony at the Residence to receive an award. You might leave this open for the time being. She would want to see the Vice-President, Shultz, Weinberger, Greenspan and Baker (in that order of priority). Obviously, it would enable more to be fitted in if the last four could come to the Residence. She will be seeing Webster here on 22 June, so I doubt whether a further meeting in Washington would be necessary.

We shall try to arrange for the Prime Minister to fly out on the Thursday evening. This involves withdrawing from the return banquet given by the King of Morocco during his State Visit, which will have to be dealt with carefully. It would be better to say nothing publicly about the Prime Minister's arrival time until we have settled this. On present plans, the Prime Minister will return to the United Kingdom on the Friday evening, leaving at about 7 pm.

The Prime Minister will bring only a few members of her staff (myself, Bernard Ingham, possibly Nigel Wicks, a Garden Room Girl, a Duty Clerk and two Detectives). There is likely to be a press party on the aircraft.

As you say, news of the visit is already beginning to leak out. We would prefer, therefore, to make the announcement later today, simply saying that the Prime Minister will visit Washington on 17 July, at the President's invitation, for talks with him, other members of the Administration and Congressional leaders. Charlie Price has subsequently telephoned about the announcement and says that the White House would be content to make it at 1200 (Washington time) today. We propose to go ahead on this basis.

It seems unlikely that we shall need to aim for yet another Camp David-type statement. But there will no doubt be separate departure statements at the White House. I should be grateful if a draft could be attached to the briefs.

C D POWELL

A. C. Galsworthy, Esq., C.M.G.
Foreign and Commonwealth Office

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Mr Powell, No 10 DSR

SECRET
DEDIP
FM WASHINGTON
TO DESKBY 160830Z FCO
TELNO 1291
OF 152359Z JUNE 87

YOUR TELNO 925
FOLLOWING PERSONAL FOR PRIVATE SECRETARY FROM AMBASSADOR
1 I SAW CARLUCCI THIS MORNING, WHO CONFIRMED THAT THE PRESIDENT MUCH LOOKED FORWARD TO SEEING THE PRIME MINISTER IN JULY. CARLUCCI SAID THAT THE PRESIDENT HAD SET ASIDE LUNCH ON FRIDAY 17 JULY, TO BE PRECEDED BY HALF AN HOUR OR SO IN PRIVATE SESSION. IF THE PRIME MINISTER STRONGLY PREFERRED OTHER ARRANGEMENTS, HE WOULD OF COURSE CONSULT THE PRESIDENT AGAIN. HE THOUGHT THE PRESIDENT WOULD PREFER THE MEETING TO BE AT THE WHITE HOUSE ON THIS OCCASION RATHER THAN AT CAMP DAVID (CARLUCCI ADDED IN CONFIDENCE THAT MRS REAGAN IN PARTICULAR TRIED TO KEEP SATURDAYS ENTIRELY FREE). I SAID I WOULD REPORT IMMEDIATELY, BUT I DOUBTED WHETHER THE PRIME MINISTER WOULD WANT TO QUESTION THE PRESIDENT'S PROPOSAL, AND WOULD BE PARTICULARLY GRATEFUL TO HIM FOR ACCEPTING HER PREFERRED DATE.
2 I MENTIONED THE MAIN SUBJECTS WHICH THE PRIME MINISTER WOULD WANT TO DISCUSS. CARLUCCI AGREED (AND COMMENTED THAT IT WOULD BE PARTICULARLY USEFUL IF THE PRIME MINISTER WERE TO MENTION MOZAMBIQUE). I MENTIONED THE OTHER MEETINGS THE PRIME MINISTER WOULD HOPE TO HAVE (YOUR PARA 3), WITH WHICH CARLUCCI SAW NO DIFFICULTY. HE SUGGESTED THAT THE PRIME MINISTER MIGHT ALSO FIND IT USEFUL TO TALK TO BILL WEBSTER, THE NEW DCI. HE STRONGLY ENDORSED THE SUGGESTION THAT THE PRIME MINISTER SHOULD MEET CONGRESSIONAL LEADERS.
3 IF THE PRIME MINISTER'S PROGRAMME PERMITS, I RECOMMEND THAT SHE FLIES OUT ON THE THURSDAY EVENING. I THEN SUGGEST THAT SHE DOES THE BREAKFAST TV PROGRAMMES EARLY ON FRIDAY MORNING IN THE RESIDENCE, FOLLOWED BY A BREAKFAST MEETING WITH CONGRESSIONAL LEADERS (EITHER AT MY HOUSE OR MORE PROBABLY ON THE HILL ACCORDING TO THE LEADERSHIPS' PREFERRENCE) AND THEN ONE OR TWO OF THE OTHER MEETINGS PROPOSED. THE ONLY CAVEAT HERE IS THAT SOME MEMBERS OF CONGRESS ARE LIKELY TO BE IN

AND THEN ONE OR TWO OF THE OTHER MEETINGS PROPOSED. THE ONLY CAVEAT HERE IS THAT SOME MEMBERS OF CONGRESS ARE LIKELY TO BE IN PHILADELPHIA AT THAT TIME FOR A SPECIAL MEETING OF CONGRESS TO CELEBRATE THE BICENTENARY OF THE THE CONSTITUTION. AFTER LUNCH, WE WOULD ARRANGE THE REST OF THE MEDIA COVERAGE ON THE LINES SUGGESTED IN YOUR PARA 3, TOGETHER WITH THE REMAINDER OF THE BILATERAL MEETINGS. TIME PERMITTING, WE MIGHT THEN FIT IN THE PRESENTATION OF AN HONORARY AWARD IN THE RESIDENCE, ON WHICH I WILL MAKE RECOMMENDATIONS SEPARATELY IN DUE COURSE. IF THE PRIME MINISTER WANTED TO STAY A SECOND NIGHT SHE WOULD OF COURSE BE VERY WELCOME.

4 ON THE SUGGESTION IN YOUR PARA 6 FOR A VISIT ELSEWHERE, I RATHER DOUBT WHETHER THIS WOULD BE WORTH WHILE. A VISIT TO E.G. CHEYENNE MOUNTAIN WOULD TAKE AT LEAST A DAY. I TOUCHED ON THIS BRIEFLY WITH CARLUCCI, WHO HAD NO PARTICULAR IDEAS OR SUGGESTIONS FOR A REALLY INTERESTING EXCURSION. I WOULD BE HAPPY TO TAKE FURTHER SOUNDINGS IF THE PRIME MINISTER WISHES, AND I AM SURE THAT THE AMERICANS WOULD BE HAPPY TO SET SOMETHING UP. BUT I WILL NOT PURSUE THIS FURTHER UNLESS SO INSTRUCTED.

5 GRATEFUL TO KNOW WHETHER THE PRIME MINISTER WOULD WELCOME A PROGRAMME ON THE ABOVE LINES.

6 I UNDERSTAND THAT THERE HAS ALREADY BEEN SOME SPECULATION ABOUT A JULY VISIT IN THE BRITISH PRESS. CARLUCCI AGREED THIS MORNING THAT THERE WOULD BE ADVANTAGE IN EARLY SIMULTANEOUS ANNOUNCEMENTS.

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SECRET AND PERSONAL

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for PC

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PM TOURS: Visit to Washington, June 87

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

12 June 1987

PRIME MINISTER'S VISIT TO WASHINGTON

As you are aware, the Prime Minister has it in mind to pay a brief working visit to Washington in the second half of July. President Reagan has welcomed this, and it has been left that I am to discuss dates with Howard Baker and Frank Carlucci.

The days which suit the Prime Minister best are Fridays and Saturdays. Her preferred dates are 17/18 July, with 24/25 July as a fall-back. It might in each case be possible to travel out very late on the preceding Thursday evening, but I would prefer not to be committed to this. I think that what the Prime Minister would most appreciate would be a Friday afternoon or Saturday morning session at Camp David. The President has been notably generous about this in the past, but I am sure that the Prime Minister would understand if he preferred the meeting to be at the White House.

The Prime Minister envisages her visit as an informal working occasion. In addition to a meeting with the President, she would probably want separate sessions with Vice-President Bush, Secretary Shultz, Secretary Weinberger, and possibly Secretary Baker and Mr Greenspan. She would be open to advice on whether it would be useful for her to see Congressional leaders. She will also want to do some television, possibly the breakfast programmes and one of the major talk shows. She does not want to make any major speech on this occasion. But there are a number of awards and honorary degrees outstanding, which she could receive at the Embassy as in the past.

The main subjects which the Prime Minister will want to pursue are the United States economy, the role of nuclear weapons and the prospects for arms control, East/West relations and a possible US/Soviet Summit, the Middle East (both Arab/Israel and Iran/Iraq), Mozambique, and international trade questions.

The Prime Minister does not think a delegation necessary for this sort of visit and intends to take only immediate personal staff.

SECRET AND PERSONAL

Finally, a thought which I have not discussed with the Prime Minister but on which it would be helpful to have your views: the possibility that the Prime Minister might have a full briefing at the NSA or visit the SAC operations centre at Cheyenne Mountain. I realise that this might require some extension of her visit.

I should be grateful if you would ask Sir Antony Acland to discuss dates and a programme on the lines suggested with Mr Carlucci as soon as possible.

C D POWELL

A. C. Galsworthy, Esq., C.M.G.
Foreign and Commonwealth Office

PART 6 ends:-

Washington Tel No. 2910 17.11.86

PART 7 begins:-

CDP to FCO 12.6.87